



Doing Business in Bulgaria:

2012 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Bulgaria

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Market Overview

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Five years after joining the European Union (EU), Bulgaria is on the radar screen of U.S. firms for investments and business opportunities. The country enjoys political stability, and forecasts are for slight economic growth in 2012. The Bulgarian Government introduced the lowest tax rates in the region – ten per cent rate both on personal income and on corporate income, which contributed to strong foreign investment inflows. The global financial crisis has slowed investment growth somewhat, particularly in the real estate and manufacturing sectors. Bulgaria has managed to weather the global financial downturn through strict fiscal discipline. The currency peg to the Euro and fixed exchange rate are seen as an obstacle to the export of Bulgarian products, especially in the context of currency devaluation in neighboring countries. Local demand will remain low due to limited allocation of consumer loans and a 11% jobless rate. Other risks include high foreign debt and the potential for gas supply disruptions.

U.S. companies are successfully conducting business across the major industry sectors. The top foreign investor in Bulgaria is a U.S. company. EU membership will continue to result in funding for infrastructure projects, provided that the Bulgarian government procedures are efficient and transparent. Due to its geographical location, Bulgaria is an excellent launching pad for sales into the European Union, Russia, Turkey and the Middle East.

Bulgaria joined NATO in 2004 and is participating in joint operations. The general attitude in Bulgaria is pro-American and the Bulgarian market is receptive to American goods and services.

Market Challenges

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Bulgaria offers excellent opportunities for U.S. firms, but there are challenges. While the business climate is generally positive, there are factors that inhibit trade and investment. The major challenges include: inefficient bureaucracy; a slow moving court system; organized crime influence in some sectors of the economy; corruption; intellectual property rights violations; and a complicated and often non transparent tendering process.

Although Bulgaria has experienced growth for 9 of the last 10 years, the country remains one of the EU's poorest countries with limited consumer disposable income.

Upon its EU accession, Bulgaria adopted regulations and standards that conform to EU norms. While this is good news for many U.S. firms, American companies sometimes find these EU regulations and standards difficult to understand. The U.S. mission to the EU provides assistance to U.S. companies. Please refer to their website for more information: <http://www.export.gov/europeanunion/>

Market Opportunities

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Bulgaria boasts a talented labor force, one of the lowest wage rates in EU, and a convenient geographical location. EU membership offers additional opportunities as Structural and Cohesion funds are funding major infrastructure projects. Please refer to: http://www.export.gov/europeanunion/eu_funds.html

Good prospects for exports to Bulgaria are listed below (in alphabetical order). A more detailed analysis of these sectors can be found in Chapter Four of this Guide:

- Automotive
- Aviation
- Environmental Technologies
- Franchising
- Healthcare/Medical
- Infrastructure Projects
- Information and Communication Technologies
- Power Generation, Renewable Sources of Energy and Energy Efficiency
- Safety and Security
- Travel and Tourism

Financing from the U.S. Export-Import Bank (Exim Bank) <http://www.exim.gov> and the Overseas Private Investment Corporation (OPIC) <http://www.opic.gov> is available. The U.S. Trade and Development Agency (USTDA) <http://www.ustda.gov> offers financing for technical assistance, feasibility studies, orientation visits, and training grants.

Market Entry Strategy

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Finding a good, reputable local representative is key in order to successfully enter the market, and conducting due diligence before selecting a representative is essential. Enlisting qualified local legal services for contract negotiations is also highly recommended. The U.S. Commercial Service located in the U.S. Embassy in Sofia can assist with market research, contact facilitation, contact evaluation, and service providers – refer to: <http://www.export.gov/bulgaria>.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/p/eur/ci/bu/>

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Chapter 3: Selling U.S. Products and Services

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Using an Agent or Distributor

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Bulgarian law stipulates that representation in court and before administrative agencies must be performed by duly licensed members of the Bulgarian Bar Association, who are independent practitioners in law firms or who are certain employees of corporations.

Bulgaria does not allow foreign (i.e., non-EU) lawyers to practice in Bulgarian courts, except as defense counsel of a national of his/her own country in a civil and criminal action. In such instances, the attorney must be accompanied by a Bulgarian lawyer, and there must be an agreement between Bulgaria and the respective foreign state or justified on the basis of reciprocity for such representation. In all instances, a preliminary request must be submitted to the Chairperson of the Supreme Bar Council for approval.

Lawyers who practice in another EU member state can establish a branch office of their international firm in Bulgaria and provide legal services in the local market. In the case of a corporation, representation may be either by an authorized senior executive of the firm such as executive director, or by an employee who has passed the practical examination of the Ministry of Justice and who has a power of attorney from the corporation to represent it as “in-house counsel”.

A Bulgarian patent representative who specializes in intellectual property rights and who is admitted to practice before the Bulgarian Patent Office is also essential for preparing documents to protect intellectual property rights. Some lawyers are patent representatives.

Other services such as filing corporate documents with the courts or the Commercial Registry, legal opinions, and legal consultations, are in practice performed by self-styled “legal consultants” whose qualifications and experience may vary. Some legal consultants may be former in-house counsel. Attorneys who are members of the Bulgarian Bar Association also provide such services. Additionally, some of the larger international accounting and consultancy firms have established legal offices, which perform some of the services offered by a law firm.

The AmCham membership list at <http://www.amcham.bg> and the Commercial Service Business Service Provider <http://www.export.gov/bulgaria/en/serviceproviderlist.html> are good places to start when looking for legal and other business services in Bulgaria.

The EU regulations and legislation for this topic can be found in the European Country Commercial Guide developed by the U.S. Mission to the EU. The document is available at http://www.export.gov/europeanunion/doing_business.html

Establishing an Office

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The Law on Encouragement of Investments sets forth preferential treatment measures for foreign or local investments. The measures are differentiated according to the class of the investments, and include two levels of benefits, depending on the amount of the investment. For more information, see <http://www.investbg.government.bg/index.php>

A representative office for information gathering and non-proprietary activities, such as performing promotions, exhibitions, demonstrations, training or advertising of products or services, is established by registration with the Bulgarian Chamber of Commerce and Industry <http://www.bcci.bg/index.htm>

A representative office is not a legal entity in Bulgaria. The Law on Encouragement of Investments places certain restrictions on the office's activities, and in particular, a representative office may not carry out commercial activities. The Law on Commerce defines the various forms of economic associations and regulates their foundation, organization, and termination. While it is possible to register a branch of a foreign entity in Bulgaria, the most common type of organization for foreign investors is a limited liability company (OOD), or a one-person owned limited liability company (EOOD) respectively.

Franchising

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More than half of the franchise chains present in Bulgaria have entered the market during the last five or six years, and significant surge was experienced during 2007 and 2008. This trend will accelerate even more as disposable income and understanding of the franchise business model grows. Due to the growth in this sector, Franchising is one of the top sectors for U.S. exports, located in Chapter 4 of this guide. Among the most visible brands in Bulgaria are: KFC, Dunkin Donuts, Subway, Berlitz, ERA, Centruy 21, Remax, GNC, Wilson Learning, and others. Recent entrants to the Bulgarian market are Domino's Pizza, Curves, Subway and Starbucks.

The Bulgarian legal system accommodates franchise agreements. Laws on labor relations are clearly spelled out, leases can be freely negotiated, and laws protect trademarks, patents and copyrights.

Direct Marketing

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Direct marketing is relatively undeveloped in Bulgaria. There are few Bulgarian mail-order catalogs. Vacuum cleaners, small kitchen appliances, home healthcare products and consumables, hospitality, catering and cosmetics are being sold fairly successfully door-to-door. Companies employ different marketing techniques. A Slovenian company, which offers direct marketing of U.S. products, and an Austrian company are currently using television home shopping "infomercials" to sell kitchen tools and fitness appliances not available in local shops. Home demonstrations are not popular and have generated little success. Avon and the Swedish company Oriflame report success in the direct sale of cosmetics.

Direct marketing through catalogs, telemarketing and the Internet from the U.S. to Bulgaria is still quite difficult. Bulgarians increasingly use debit and credit cards but still the use of cash is more prevalent than in other EU countries. Catalog and internet shopping are still in their infancy due to low purchasing power, the high cost of shipping and lack of security for parcels.

The EU regulations and legislation for this topic can be found in the European Country Commercial Guide developed by the U.S. Mission to the EU. The document is available at http://www.export.gov/europeanunion/doing_business.html

Joint Ventures/Licensing

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In addition to establishing their own companies, U.S. companies can also invest in existing companies.

Joint ventures with state-owned companies (i.e., wholly owned by the Bulgarian State) must be approved by the Council of Ministers or by the relevant minister. The negotiation phase usually addresses the evaluation of existing assets and contribution of the foreign partner. The foreign contribution can be in cash and/or in-kind, for example know-how. The contribution of the local partner is usually in long-term assets (i.e., existing equipment, and facilities).

Joint ventures with private companies do not follow the same procedures. No government involvement or approval is necessary. After completion of negotiations, the new legal entity must be registered in the Commercial Registry. Joint ventures are subject to the provisions of the Law on Protection of Competition regulating concentration of economic activity.

Selling to the Government

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Public procurement procedures used by state agencies and state controlled companies for purchases are prescribed by the Law on Public Procurement. The law harmonizes Bulgarian legislation with the two major public procurement directives of the EU. According to the said law, a Government Procurement Agency was established, responsible for public procurement and reporting to the Minister of Economy, Energy and Tourism. The most often used form of procurement is a public tender.

All Bulgarian and foreign companies are eligible to participate in public procurement tenders in Bulgaria. The Commission on Protection of Competition (CPC) is the authority enforcing the Law on Public Procurement and the Law on Protection of Competition. Appeals are no longer under the direct competence of the civil courts.

Regarding public tenders funded by EU funds, see http://www.export.gov/europeanunion/eu_funds.html

Distribution and Sales Channels

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Recent developments in retail sales channels are worth noting.

IKEA opened its first store in Sofia in September 2011. By the end of 2010, the following retail chains established network of stores throughout Bulgaria: Fantastiko (33), Billa (64), Metro (11), Picadilly (40), Praktiker (9), Hit (2), Mr. Bricolage (10), Baumax (4), German discounters Penny (47), Kaufland (35) and Lidl (25) + PLUS (24); Tempo (1), Roda (2), T Market (36).

Como (1) and Aiko (4) are furniture and houseware retail chains. Technopolis (23), Technomarket (43), Densi (6) and Domo are retail chains for consumer electronics. Carrefour (4), the world's second-largest retailer after Wal-Mart started operations in 2010 as well.

According to GfK Shopping Monitor, the Bulgarian consumer still prefers to use the local store near their homes. There are three major factors, which influence the choice of the place for shopping: the proximity to home and the working place, the level of prices, and the range of goods. The Bulgarian consumer is still not very mobile – less than 30 per cent of consumers go shopping by automobile, which limits the choice of stores. The percentage of consumers who read promotional brochures is barely 26 per cent.

Shopping malls in Sofia (8), Plovdiv (3), Veliko Turnovo (1), Pleven (1), Stara Zagora (2), Russe (3) and Varna (5) are becoming very popular among the urban population. Several others shopping malls are in the process of being built.

Selling Factors/Techniques

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Bulgarian consumers and companies have low purchasing power, which means that price is a major consideration in developing a market strategy. American companies are widely recognized for their quality and reasonable price, and value sells well in Bulgaria.

Available market size statistics are usually unreliable and do not assist in accurately predicting market responses.

Electronic Commerce

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Shopping over the Internet is becoming more and more popular, despite fears of credit card fraud. E-commerce doubled in 2010 and continued to increase in 2011. The number of customers who purchase online more than once is increasing, whereby 58% of the online customers prefer local internet shopping sites, and 38% are using international web sites for online purchasing.

Nevertheless most people especially in smaller cities and villages still prefer to shop at local stores. Despite these difficulties, some companies are already offering goods for sale over the Internet.

Trade Promotion and Advertising

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The 1998 Law on the Protection of Competition, and the 2006 Law on Protection of the Consumers and on Trading Rules regulate advertising. These laws prohibit advertisements that disseminate misleading information to consumers or malign the reputation of competitors. Separate legislation regulates advertising for specific products such as tobacco products, pharmaceuticals, and alcohol beverages.

All the normal channels for advertising are available and are widely used in Bulgaria, including newspapers, internet banners, magazines, television, radio, and outdoor billboards/signs.

Trade fair activities in Bulgaria grew rapidly to a full year's schedule of industry and product specific events in major cities around the country. Bulgaria has a number of industry-specific trade shows. Many U.S. products are displayed through local agents, distributors and dealers. Information on trade shows in Bulgaria is available in Chapter 9 of this Guide or through links on the U.S. Commercial Service website <http://www.export.gov/bulgaria>

Pricing

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Due to low per capita income and purchasing power, consumers are highly price sensitive. Consumers are willing to spend more in return for higher quality. Most people restrict purchasing to basic necessities. Imported products are typically higher priced than locally produced goods. Small niche markets exist where consumers demand high-end luxury goods.

Sales Service/Customer Support

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Bulgarian consumers expect good after-sales service and customer support when purchasing products. New private companies understand the importance of customer support and follow through on promises.

Companies expect support from the U.S. exporter when purchasing imported products. Emphasis on customer support is an initial step in developing customer loyalty.

Most American companies operating in Bulgaria provide training to their distributors/agents. In many cases, agents and distributors are trained in the US in order to communicate the firm's distinctive corporate policies, behavior and standards.

Protecting Your Intellectual Property

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Introduction

Several general principles are important for effective management of intellectual property rights in Bulgaria. First, it is important to have an overall strategy to protect IPR. Second, IPR is protected differently in Bulgaria than in the U.S. Third, copyright and related rights are not subject to registration whereas industrial property rights must be registered under local laws. Other IP rights, valid within the entire European Union are valid in Bulgaria as well - these are Community Trademark and Community Design right – registered before the OHIM (Office for harmonization in the internal market) and community plant variety rights, registered before the CPVO (Community Plant Variety Office).

Protecting Your Intellectual Property in Bulgaria

Several general principles are important for effective management of intellectual property (“IP”) rights in Bulgaria. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Bulgaria than in the U.S. Third, rights must be registered and enforced in Bulgaria under local laws. Your U.S. trademark and patent registrations will not protect you in Bulgaria. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Bulgaria market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Bulgaria. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Bulgarian law. The U.S. Commercial Service can provide a list of local lawyers upon request.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing

their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales Bulgaria require constant attention. Work with legal counsel familiar with Bulgarian laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Bulgaria or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

Bulgarian law protects intellectual property rights, but enforcement is often problematic.

Bulgaria is a member of the World Intellectual Property Organization (WIPO) and a signatory to the following agreements:

- Paris Convention for the Protection of Intellectual Property;
- Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcast Organizations;
- Geneva Phonograms Convention;
- Madrid Agreement for the Repression of False or Deceptive Indications of Source of Goods;
- Madrid Agreement and Protocol on the Registration of Trademarks;
- Nice agreement on the International Trademark Classification
- Madrid Agreement on the International Classification and Registration of Trademarks;
- Patent Cooperation Treaty;
- Universal Copyright Convention;
- Bern Convention for the Protection of Literary and Artistic Works;
- Lisbon Agreement for the Protection of Appellations of Origin and their International Registration;

- Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purpose of Patent Protection;
- Nairobi Treaty on the Protection of the Olympic Symbol;
- Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks;
- Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks;
- Strasbourg Agreement Concerning the International Patent Classification;
- Locarno Agreement Establishing an International Classification for Industrial Designs;
- WIPO Copyright Treaty; and
- WIPO Performances and Phonograms Treaty.

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: 1-866-999-HALT or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: 1-800-786-9199.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: 1-202-707-5959.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Bulgaria at: Barbara.lapini@trade.gov.

Due Diligence

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The U.S. Commercial Service offers the International Company Profile service for evaluating potential business partners. See www.buyusa.gov/bulgaria for more information.

There is only one internationally recognized credit-reporting agency in Bulgaria, Credit Reform Bulgaria <http://www.creditreform.bg/en/index.jsp>, headquartered in Germany, although there are new companies that have advertised their ability to check corporate references and provide corporate financial data.

The official database online source called DAXY (www.daxy.com) provides information on official court, tax, address registration of Bulgarian companies, major shareholders, balance sheets, direct and indirect connections between and among managers and other Bulgarian companies and other public information.

More and more Bulgarian companies are registering with Dun and Bradstreet register and can be viewed on (www.dandb.com).

An agency called the Financial Intelligence Agency (FIA) <http://www.fia.minfin.bg/?cat=2&lang=1> (member of the international EGMONT Group) was established in the Ministry of Finance in 2001 by virtue of the Law on Amendments and Complements to the Law on Measures against Money Laundering (LMML). Under December 2007 legislation, FIA was transferred to the new State Agency for State Security (DANS). The FIA receives, preserves, examines, analyses and discloses to law enforcement bodies information connected with suspicion of money laundering or financing of terrorist activities. The Agency also carries out international exchange of financial intelligence information and performs control over the persons under article 3, paragraphs 1 and 2 of the LMML with regard to the compliance with the anti-money laundering measures and measures against financing terrorist activities.

Local Professional Services

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The American Chamber of Commerce in Bulgaria (AmCham) maintains a membership list that can be sorted by product and service. The AmCham web site <http://www.amcham.bg> is a good place to start when looking for legal and other business services in Bulgaria. From the AmCham home page, click on "About us" then "Members list" for a directory of local professional services.

The U.S. Commercial Service Business Service Provider has also a list of lawyers, logistics and service providers <http://www.export.gov/bulgaria/en/serviceproviderlist.html>

Web Resources

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<http://sofia.usembassy.gov/> (U.S. Embassy, Sofia)
<http://www.export.gov/bulgaria> (U.S. Commercial Service, Sofia)

<http://www.export.gov/europeanunion> (U.S. Mission to the EU, Brussels)
<http://www.government.bg> (Bulgarian Government English language site)
<http://www.amcham.bg> (American Chamber of Commerce in Bulgaria)
<http://www.bcci.bg> (Bulgarian Chamber of Commerce and Industry)
<http://www.bia-bg.com> (Bulgarian Industrial Association)
<http://www.sofiaecho.com> (English language news service for Bulgaria)
<http://www.daxy.com> (business, financial and tax registration of Bulgarian companies)
<http://www.creditreform.bg/en/index.jsp> (credit-reporting agency)
<http://www.dandb.com>
http://ec.europa.eu/internal_market/consultations/2011/intellectual_property_rights_en.htm
<http://www.export.gov/europeanunion>

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Chapter 4: Leading Sectors for U.S. Export and Investment

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Aviation

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Bulgaria's overall market for aviation equipment, runway systems and air traffic control equipment and services through 2015 is estimated at approximately \$200 million. The Bulgarian aviation market is supplied almost entirely by imports.

Growth in this market is influenced by the ICAO, IATA, IASA, EASA, Eurocontrol, Open Sky and Common European Sky agreements and requirements for sustainable development, quality improvement, safety and security upgrades and compliance to international standards.

The end user market includes six international airports, the Aviation Administration (CAA), the Air Traffic Services Authority (ATSA), major air carriers and service companies licensed to provide ground-handling activities.

Airports with international status are: Sofia, Varna, Burgas, Plovdiv and Gorna Oryahovitza. The government's plan is to prepare all of these for privatization by means of concessions contracts. Burgas and Varna have already undergone this process and are now under concession by Fraport Twin Star Airport Management.

The procedures for privatization of the other airports will be announced on the web site of the Ministry of Transport and Communications www.mtitc.government.bg

The Air Traffic Services Authority (ATSA) completed the selection process for the design of a new air traffic control tower and is preparing to announce its engineering and construction phase of the project. ATSA is upgrading its ATC systems regularly based on the depreciation of the operational equipment.

Other large projects include construction of new passenger terminals at both Varna and Burgas airports to accommodate 2.7 million passengers at Burgas and 1.8 million at Varna airport; rehabilitation of the Varna airport runway; completion of the adjacent taxiways, construction of new ATC and new cargo building, and extension of the water supply and treatment systems at Varna airport.

Plovdiv International Airport is undergoing upgrade and modernization in terms of new passenger and cargo terminals, completed in 2011. Plovdiv airport processed approximately 100,000 passengers at the end of 2011 and projections indicate that this number will increase due to the airport bid to attract low cost carriers and serve as "optional receiving airport" to Sofia airport in case of bad weather.

The overall number of passengers at airport Sofia in 2011 was approximately 3.5 million, a 5.4% increase compared to 2010. The number of take-offs increased by 0.2% compared to 2010. The increase in cargo traffic for 2011 was 3.7% compared to 2010 amounting to 15,887 tons. At present, Sofia airport has spare capacity in terms of existing terminal buildings and runway, but as demand grows there will be a need to

increase that capacity. Terminal (passenger and cargo) capacity is likely to run out before the runway capacity.

Gorna Oryahovitza airport will be managed by a concessionaire, while Rousse airport might be transferred to the regional government to determine its future ownership status. Balchik, a seasonal airport located at the Black Sea coast, will be prepared for concession together with Sofia airport.

Sofia ATSA is constantly upgrading and modernizing the ATC system to make it more compatible with the Eurocontrol and Common European Sky Agreements. This process should continue until 2013.

By the end of 2007, there were 10 licensed air operators in Bulgaria and a total of 60 flying machines, all of them with a valid "CofA" (Certificate of Airworthiness) code. The total number of large aircrafts (over 5700 kg) was 38 with a valid "CofA" code. The total number of small aircrafts (below 5700 kg) was 13 with a valid "CofA" code. Separately there were 55 light jets (up to 5.7 tones), 30% of which are second hand. The fleet as specified consisted of the following type and category of aircraft by alphabetical ranking: Airbus 319, 320, ATR, Bae-146, Boeing 737, BE20, CE-550, CL60, CL64, L-410 and MD 80.

The helicopter fleet consists of six large Mi-8 helicopters (over 3175 kg), all of them with a valid "CofA" code and three small BO105 and SA 365N1 helicopters (below 3175 kg), all of them with a valid "CofA" code. Private operators have also purchased Gulfstream and Bell helicopters, which, depending on the onboard equipment, can be used for different purposes like agriculture, firefighting, courier service etc.

Demand is estimated to be highest for airport and air traffic control equipment and related services, services related to concessioning of airport activities, cargo handling outsourcing and management, runway systems improvement, and safety and security equipment.

For more information and market entry strategies contact:

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Tel: 359-2-939-5706
Email: uliana.kanelli@mail.doc.gov
<http://www.export.gov/bulgaria>

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Ministry of Transport and Communications --www.mtc.government.bg
Civil Aviation Administration – www.caa.bg
Airport Sofia – www.sofia-airport.bg
Plovdiv Airport – www.plovdivairport.com
Bulgarian Aviation directory – www.aviation.bg

Automotive

Overview

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From 1996 until 2009, the market for new cars in Bulgaria demonstrated a stable upward trend. In 2009, as in many other countries, the financial crisis negatively impacted the sale of new automobiles. The overall picture for the automotive sector in 2010 was bleak; however the positive prospects for 2011 turned out to be realistic. The Bulgarian Union of Car Importers predicted and registered automotive market recovery and stabilization in 2011. This trend is expected to be sustained in 2012.

- The number of new car sales January through November 2010 was 16 560, 30.1% less than the same period in 2009.
- The number of new car sales January through August 2011 increased by 20% compared to the same period in 2010. The increase was 12,277 compared to 10, 267 for the same period of 2010.
- The number of busses and trucks sold January through November 2010 was 767, which is 18.9% less than the same period in 2009.
- The number of heavy duty trucks and buses sold in 2011 increased by 64% compared to 2010.

The top selling brand in 2011 became Volkswagen with 11% market share, followed by Ford with 9.2% market share and Toyota with 8.41% market share.

In January 2010, the Bulgarian government responded to the car importers' demand for compliance with EU rules for eliminating excise duties on cars with engine capacity of over 166 horse power.

In 2011, the market for heavy-duty trucks and buses benefits increased government investments in new roads and motorways and the continuing deterioration of the railroad cargo transportation system in Bulgaria. The market leader in the heavy-duty trucks sector in 2011 was Mercedes, with a market share of 33%.

Among the major developments in the automotive sector in 2011 were the establishment of manufacturing/assembly in Bulgaria and the introduction of electric vehicles. Some EU experts predict that by 2020 the electric vehicles will make up 5% of the Bulgarian autopark. In February 2011 the first e-vehicles, Mitsubishi i-MiEV, Peugeot iOn and Citroen C-Zero, were presented in Bulgaria. In December 2011, Chevrolet launched the Volt, its long-range electric vehicle, at an event at the U.S. Ambassador's residence.

Almost 15% of the cars registered in Bulgaria are over 10 years old. Since 2000, the majority of Bulgarian consumers prefer to buy cars not older than 10 years. Today, almost 70% of Bulgarian families own a car and almost 80% of the firms with business activities have motor pools, which depending on their activities, consists of cars, vans, minibuses, jeeps and light trucks.

The automotive aftermarket and collision repair car business is one of the fastest growing in Bulgaria. The growth in the number of European cars creates the demand for

more sophisticated service and car body repair equipment, both mechanical and electronic, paint products and application methods at an affordable price. The official distributors of all new car models maintain warranty service and repair stations within their company structures. The new, sophisticated electronic car equipment requires special analyzers, testers and expertise.

Best sales prospects include consumables, including oil and air filters, wiper blades, rubber blades, hoses, gaskets and rings, engine parts, brake parts, exhaust system parts, car body parts, accessories such as wheel covers, car/truck bed covers, car batteries, exterior accessory lights, auto security products such as alarms, steering wheel locks, service equipment for electronic diagnosis, monitoring, testing and analyzing, wheel balancing, tire changing, oil changing, battery chargers, quick repair kits, tools, paints and auto cosmetics, tuning equipment and accessories, and service equipment for electronic diagnosis.

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Union of Car Importers in Bulgaria (UCIB) – www.svab.bg

Bulgarian Customs – www.customs.bg

Expoteam (organizer of the largest automotive market and aftermarket show in Sofia) – www.expoteam.org

Bulgarreklama (organizer of the International Plovdiv Fair) – www.bulgarreklama.bg and www.fair.bg

Environmental Technologies

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Bulgaria's accession to the EU was a major impetus for large-scale environmental remediation and implementation of new environmental standards in Bulgaria. Bulgaria will have to invest major funds to meet EU environmental requirements, some of the funding coming from EU funds for environmental water and waste infrastructure projects. Bulgaria will need to import almost all of the technology for these requirements, and U.S. companies that possess world-class technology, equipment, services and systems at competitive prices will be best poised to benefit from these opportunities. There are no restrictions for U.S. firms to take advantage of EU funding for environmental projects.

Water and wastewater:

Most industries in Bulgaria need to construct or upgrade their wastewater treatment facilities in the next 3-4 years in order to meet the new EU requirement. Urban wastewater treatment plants are planned for hundreds of cities and towns with population equivalent of above 2,000 through 2015. There are EU funds for the construction of waste water treatment plants and water supply/ sewage networks at many municipalities. The Bulgarian municipalities will tender these projects as design and build projects. Price is a leading factor in winning these tenders.

Solid waste:

Currently Bulgaria utilizes landfills for the disposal of municipal waste. The EU requires Bulgaria to decrease the number of landfills and build regional landfills for a group of municipalities. There is a critical need to find more environmentally friendly ways to handle hazardous, solid, and industrial waste, such as waste-to-energy projects, recycling, and waste minimization. There are a few projects underway for the construction of solid waste treatment plants but nothings has been finalized yet. The market is not very receptive of composting projects.

Air:

The air-pollution control sector will provide opportunities for construction of air-pollution control installations at various industrial facilities.

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Franchising

More than half of the franchise chains present in Bulgaria have entered the market during the last five years, and a significant surge was experienced during 2007 and 2008. This trend will accelerate even more as disposable income and an understanding of the franchise business model grows.

Franchising is most apparent in the fast-food sector with many local and internationally recognized fast-food franchises operating in Bulgaria. The Bulgarian retail market is now ready for the many products and services that are typically marketed and sold internationally through franchise stores. Bulgarian consumers are looking for retailers that can provide a consistent selection of quality products, reasonable prices and good service. Bulgarian entrepreneurs are also eager to obtain marketing and management expertise. The Bulgarian legal framework is very accommodating to foreign franchises. Currently, there are no franchise laws or specific regulations pertaining to this business model. In general, no specific registration or government approval is required in order to establish a franchise enterprise.

Among the most visible brands in Bulgaria are: KFC, Dunkin Donuts, Subway, Domino's Pizza, Berlitz, ERA, Century 21, Remax, GNC, and Wilson Learning. The recent entry of Curves, Subway, Dale Carnegie, Domino's Pizza and Starbucks, demonstrate that the American franchise concept is becoming popular as the local market matures. McDonald's is the most visible franchise around the country with nearly 30 restaurants that employ over 1,000 Bulgarians and serve over 6 million customers a year. During the last two years Subway opened 22 restaurants in few big cities and the chain has 28 signed contracts with Bulgarian franchisees.

Sectors with the most significant potential for U.S. franchisers include automotive products and services, restaurants, coffee shops, lodging (hotels), laundry/dry-cleaning, hotel management, real estate brokerage, nutrition and supplement industry products, and employment/educational/training services. Good franchise opportunities also include convenience stores, ice cream/yogurt stores, hardware stores, marketing/public relations, specialty retail stores, commercial and residential cleaning, recreation facilities/equipment and services, baked foods, candy and snacks.

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<http://expo.franchising.bg/> Franchising Expo in Bulgaria
www.franchising.bg Franchise Opportunities in Bulgaria

Healthcare and Medical

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The development of the healthcare sector in Bulgaria is determined by the reform of the healthcare system aiming at a more efficient allocation and expenditure of resources dedicated to healthcare.

The health sector reform has several components, the first being the reform and sustainability of the primary and ambulatory care sector. This goal is to provide equipment for primary health care, fund physicians' office information systems, provide training in general practitioner (GP) practice management, fund health information campaigns, finance an investment program to provide low-interest loans to physicians, and fund a labor adjustment strategy.

The second component targets the hospital system and will fund hospital information systems, finance a health reform investment program, and reduce the number of hospitals, optimizing their functionality.

The third component aims at assisting the National Health Insurance Fund (NHIF) to establish the technological infrastructure to operate the insurance system, including the hardware and software systems as well as the training and technical assistance.

The fourth component aims to strengthen the management and institutional capacity of the health ministry, the NHIF, and the health system in general.

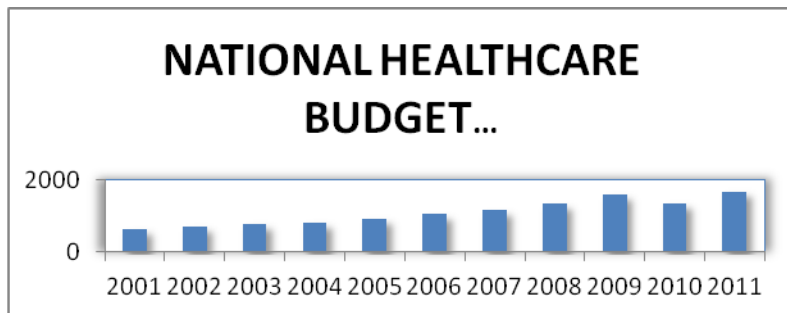
The present Minister of Health outlined as his top priorities as improving emergency care and prophylaxis in the fields of maternal healthcare, children's dental healthcare, and screening and testing for earlier diagnosis of breast and prostate cancer.

Another aspect of healthcare reform relates to measures taken for the eradication of pandemic diseases. As an entry point to EU veterinary markets, Bulgaria is required to undertake strict sanitation and eradication measures relating to veterinary pandemic diseases such as Classic Swine Fever, Foot-and-Mouth disease, and Bird Flu. The Bulgaria Ministry of Agriculture and Food is responsible for these efforts.

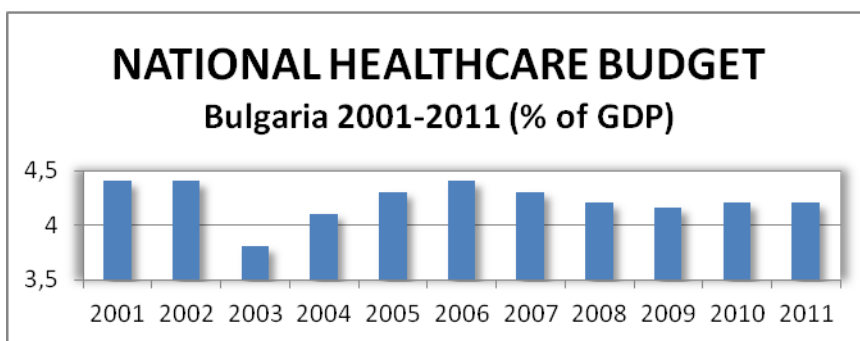
Beginning this year, the Ministry of Healthcare decided to close down 21 hospitals and optimize the scope of work of another 158 hospitals. Despite the difficult economic outlook, Bulgarian Ministry of Healthcare is following through with plans for the rationalization of the healthcare system.

Bulgaria's healthcare budget for 2009 and 2010 amounted to 1.573 billion EUR and 1.329 billion EUR respectively. The healthcare budget for 2011 amounted to 1.659 billion EUR (4.2% of GDP) and, for 2012, it is estimated at approximately 1.875 billion EUR.

The two graphs below illustrate Bulgaria's healthcare budget trends since 2001, when the last major reform of the healthcare system took place.



For the period 2001 through 2011 the healthcare budget ranged between 3.8 to 4.4% of GDP.



The health sector reform strategy drives demand for modernization and upgrades in all healthcare related subsectors. In particular, this translates into:

- demand for invasive and noninvasive surgery equipment, ultrasound equipment, in-vitro diagnostic equipment, urology equipment, laboratory and testing equipment, diagnostic imaging equipment, equipment for haemodialysis, tissue and blood bank related equipment, veterinary turnkey project equipment, hospital care equipment, information systems, modern patient monitoring systems, hospital management systems, new high tech products such as laser instruments, magnetic resonance picture imaging apparatus and computerized systems for cosmetic, aesthetic and restorative medicine including such for dentistry.
- demand for X-ray systems, dental mechanical tools and instruments, dental surgery services, surgical tools, chairs, ultrasound equipment, photopolymer equipment, physiotherapy equipment, abrasive tools, maxillary surgery, anesthetics, sterilizing equipment, fittings, appliances, metal workplaces, ceramic work places and plastic workplaces
- need for telemedicine and the introduction of healthcare portal to be based on unified healthcare database files for every Bulgarian citizen fully compatible with EU standards.

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Ministry of Healthcare – www.mh.government.bg
Bulgarian Drug Agency – www.bda.bg
National Health Insurance Fund (NHIF) – www.nhif.bg
Bulgarreklama (agency organizing the international exhibition Bulmedica, Buldental, Buloptics, Bullabor) – www.bulgarreklama.com

Infrastructure Projects

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The Bulgarian Government's goals to clean up the country's environment and modernize its infrastructure represent an extraordinary business opportunity for U.S. companies.

After EU accession in January 2007, Bulgaria directed efforts, resources and initiatives at modernizing its outdated infrastructure as a strategy to boost economic growth. Investments are primarily focused on improving the road infrastructure and new metro stations construction. Other projects, including railroad infrastructure upgrades, tourism infrastructure (e.g., hotels), telecommunications and other infrastructure related projects are either slowly progressing or have been postponed due to a lack of adequate financing.

The Bulgarian Government will need more than nine billion euro to fund the infrastructure projects that have made its priority list for the 2014/2020 planning period. Only half of that amount can be secured through European Union funding. This means that the list is likely to be reduced or additional sources of funding will be sought.

Bulgaria will have a few large post -2013 priority projects that are part of the Trans-European Transport Network (TEN-T). Among the projects awarded priority status are the Strouma Highway section in the Kresna Gorge and the Hemous Highway from Sofia to Veliko Turnovo. The stretch from Veliko Turnovo to Shoumen will be a four-lane road. Other flagged projects are the highway from Sofia to Kalotina and the one connecting Varna and Burgas, as well as the high-speed roads Vidin-Botevgrad, Rousse-Veliko Turnovo and Veliko Turnovo-Makaza. Completion of these road projects will require more than four billion EUR.

The Ministry of Regional Development announced that the road projects would continue to be financed with current EU grants, which cover 80 per cent of the investment.

For the subsequent funding period, the EU has approved the Connecting Europe Facility of 50 billion EUR, 32 billion EUR of which will be designated for transport infrastructure. In addition, much the Connecting Europe Facility will be spent in cohesion countries, such as Bulgaria, where infrastructure development is an imperative for raising living standards to average European levels.

Priority railway projects after 2013 include the Dragoman-Sofia-Septemvri, Vidin-Sofia and Sofia-Pernik-Radomir lines, as well as the completion of the Plovdiv-Burgas line. Another project deemed important is the improvement of shipping on the Danube, which will cost an estimated 317 million EUR.

Opportunities exist for U.S. companies that specialize in road network upgrading, park development, golf course development, management and development of logistic, residential, shopping and industrial complexes, and airport development. Infrastructure investors and firms providing public-private partnership solutions in the area of infrastructure development, water and wastewater treatment, earthmoving, road building,

installation of underground utilities, and construction material suppliers will also find business opportunities in Bulgaria.

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Sub-Sector Best Prospects

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Transportation—Railroad Development

The public railway infrastructure in Bulgaria is managed by the National Railway Infrastructure Company (NRIC), and railway transport services are provided by the state-owned Bulgarian Railways Company (BDZ EAD) and several private rail freight operators.

While Bulgaria has made some progress in railway reform, the Government recognizes that the need to deepen these reforms has become more urgent than ever, and it has developed a Government Railway Reform Program (GRRP) aimed at establishing a financially sustainable railway sector. The GRRP will be supported by the World Bank Development Policy Loan Program (DPL Program).

Strategic planning for railway development are laid out in the following documents:

- *Strategy for the development of the transport system of the Republic of Bulgaria until 2020* (adopted by the Council of Ministers on April 4, 2010)
- *General Transport Master Plan for Bulgaria* (approved in 2010).
- *Sector Operational Program for Transport 2007 – 2013 (SOPT)* (approved 2007)
SOPT covers programs funded under the EU Cohesion Fund over the period 2007 – 2013 for infrastructure relevant to European development.

The first phase of railway infrastructure investment through 2015 focuses on European transport corridors IV, VIII, and X between Sofia and Burgas on the Black Sea, Sofia and Dragoman (Serbian border), and Sofia and the Turkish border. The line between Plovdiv and the Turkish border was modernized under the EU's Instrument for Structural Policies for pre-Accession (ISPA) program for the section Plovdiv – Svilengrad. The section Svilengrad – Turkish border is currently being modernized under the SOPT. Under the SOPT program, modernization projects of sections between Sofia and Plovdiv (Sofia–Elin Pelin, and Septemvri – Plovdiv) and between Mihailovo and Burgas will be underway shortly. The completion of the rehabilitation of the final section between Sofia and Plovdiv (Elin Pelin – Septemvri) and between Skutare and Mihailovo is envisaged under SOPT's next planning period 2014 – 2020.

Additionally, NRIC is preparing a portfolio of investments to be included under the next SOPT focusing on the north-south corridor IV between Vidin (Romanian border), Sofia, and Kulata (Greek border). In parallel to infrastructure development, NRIC has investment plans in maintenance equipment aimed at modernizing its maintenance

capacity, which is necessary to preserve NRIC's network assets and ensure the sustainability of infrastructure investments.

The total project cost is estimated at EUR 70 million—including Value Added Tax (VAT) and contingencies. The implementation period for the GRRP would be July 1, 2011 – December 31, 2014, and the Closing Date would be June 30, 2015. The proposed project includes two components:

Component 1: Modernization of railway infrastructure

Component 2: Support to project implementation

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Ministry of Transport and Communications --www.mtc.government.bg

Ministry of Regional Development, Directorate for National Construction Supervision

www.mrrb.government.bg

Chamber of the Architects in Bulgaria - www.geocities.com/arch_art/kabinx.html

Bulgarian Construction Chamber - www.kcb.bg

World Bank – <http://www.worldbank.org/infoshop>

Information and Communication Technologies

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As Bulgarian companies must increase their competitiveness in the EU, and the Bulgarian Government must comply with EU directives and legislation on various aspects of the digital economy, new and expanded opportunities exist in the ICT sector. Bulgaria has long traditions in the IT sector and electronics with a large pool of IT experts.

International software companies find Bulgaria attractive because of the 0% export tax, low costs and local workforce skills.

A number of foreign companies are opening call/service centers in Bulgaria. There are opportunities for participation in tenders for sale of computers, peripherals, servers and other hardware technologies for government procurement. Moreover, the Bulgarian Government and many private companies have various information and communication initiatives that will provide major opportunities. The EU Operational Program on Regional Development has funding for broadband access for remote areas. The EU Operational Program on Administrative Capacity will provide funds for the e-government project.

Best prospects for U.S. providers include internet services, broadband Internet access technologies, cable television, routers, switches, access servers, equipment for mobile telephony, cable operators' equipment and others.

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www.nsi.bg - National Statistical Institute of Bulgaria
www.mtirc.government.bg - Ministry of Transport, IT and Communications
www.crc.bg - Communications Regulation Commission
www.investbg.government.bg - Invest Bulgaria Agency
www.basscom.org – BASSCOM
www.ictalent.org - Bulgarian ICT Cluster
www.bait.bg - Bulgarian Association of Information Technology

Power Generation and Energy Efficiency

Bulgaria's EU membership has meant increased energy demand, decreased supply (the closure of Kozloduy's reactors 3 and 4, and eventually thermal power plants Bobov Dol and Brikel). Bulgaria requires the rehabilitation of the obsolete generation units, development of new thermal, nuclear power and co-generating capacities, development of some alternative/renewable energy resources and increased energy efficiency.

The best prospects for U.S. companies are exports of energy efficiency technologies; electrical power systems and activities related to the construction of new power capacities; energy network design and construction; co-generation and district heating equipment and technologies; upgrading and maintenance of street lighting; management of spent nuclear fuel; electricity/heat consumption meter reading equipment; smart grid; upgrading of boilers and electro precipitators (solid emission) and supply of Flu Gas desulphurization installations for the thermal energy sector.

The coal mining sector and its rehabilitation also provide opportunities for American companies specialized in mining equipment and technologies and those than can improve the lignite mines' energy efficiency. In the gas sector opportunities include: technology and services for expanding of gas storage capacities; equipment for control of shipment and transit of gas via Ukraine; and services related to construction of gas interconnections with Romania and Greece.

Bulgaria's Green Power Plants have 2,747 MW Total Capacity. The wind power parks amount at 654 MW. The photovoltaic systems in the country have a total capacity of 160 MW. The operational hydroelectric power plants have a total capacity of 2,183 MW, including 47 MW in micro plants (under 1 MW each), 193 MW in small plants (between 1 and 10 MW each) and 1,942 MW in large plants (over 10 MW each).

Last year renewable energy sources (RES) accounted for 15.1 percent of gross power consumption (heating, cooling and electricity) which is actually 2300-2400MW in the total energy mix. 700 MW are already installed and some 1200 MW are to be connected to the grid by mid 2013.

It is expected that in the next few years US exporters offering technologies, know-how and other consultancy services in the energy efficiency will be able to expand their presence in Bulgaria. Despite the large market share of European producers in the energy efficiency and RES areas, the American producers have favorable prospects for exporting equipment, machinery or services.

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Bulgargaz www.bulgargaz.bg

National Electric Company www.nek.bg

Kozloduy NPP www.kznpp.org

Ministry of Economy, Energy and Tourism www.mi.government.bg/

State Energy and Water Regulatory Commission www.dker.bg

Energy Efficiency Agency www.SEEA.government.bg

Bulgarian Wind Energy Association <http://bgwea.org>.

Safety and Security

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Bulgaria is an external EU border, and the country is expected to join the Schengen area as early as 2012. This is one main reason why safety and security will remain an important issue for the Bulgarian government and businesses in 2012.

The Bulgarian government must develop projects to upgrade control on the EU's external borders and to integrate its system with the Schengen Information System (SIS). Before Bulgaria joined the EU, the EU pre-accession program PHARE allocated funds for the modernization of the Border Police equipment, but further upgrades are required.

The cities of Sofia and Varna completed projects for video surveillance in the central areas and other sensitive zones, including traffic safety and public safety. Video surveillance was launched in Varna, using 229 cameras, monitoring pedestrian areas, major crossings, and traffic safety. The system launched was the first large scale monitoring system in Bulgaria. Two other cities, Blagoevgrad and Lovech, have partially developed a video surveillance system.

The central area of Sofia is already under video monitoring, and the project will be extended to public schools and kindergartens. The public institutions under video surveillance are expected to reach approximately 140 at the final stage of the project. The number of installed cameras in the schools varies from 6 to 12. The network is gradually being extended to other main boulevards, streets and entrance points in the city.

Other cities are considering the opportunity to build CCTV systems. Remote control systems and information systems, including monitoring of the traffic lights, street lights, and flood control were installed in some cities and additional projects will be considered in the future. Besides video surveillance, demand is high for access control and perimeter security systems.

The Bulgarian Ministry of Interior together with Ministry of Finance Customs Agency and Border Police are looking for ways to improve and strengthen management of external borders, fight and prevent organized crime and terrorism.

Combating the most serious crimes such as trafficking of people, drugs, money laundering, and terrorism are a priority for the Government of Bulgaria and will be addressed in coordination with procedural and financial support of the EU.

Other threats of cross-border importance include will cybercrime and disasters. Europe and, more specifically Bulgaria, being EU external border is a key target for cybercrime because of its advanced Internet infrastructure, high number of users, and payment systems. Citizens, businesses, governments and critical infrastructure must be better protected from criminals who take advantage of modern technologies.

In 2010 Ministry of Interior introduced the 112 disaster response system, which will have to be integrated at a later stage with the overall EU disaster response system, prevention policies and legislation.

Best prospects for U.S. exporters include X-ray scanning equipment, MR type of equipment, infrared mobile and stationary equipment, IP video surveillance, on site field testing, access control equipment, CCTV, laboratory equipment, ID security application equipment, new IT and high tech equipment and related services.

Many private companies in the big cities offer real time monitoring of premises and physical control, and the number of clients using this technology is growing.

The private security sector is represented mostly by Bulgarian companies providing centralized security services by means of technical equipment via monitoring-centers and vehicle patrols, physical security, convoy of valuables and dangerous loads; delivery, installation and support of security systems. The number of companies, operating in the safety and security sector is around 1000, including guard/personal security services and surveillance agencies. 90% of them are small- and medium-sized companies. Most of the companies are service providers and do not directly acquire security equipment.

NAFTSO is a non-profit association and incorporates Bulgarian trading companies that provide security services. The members of the Association employ more than 17,900 workers (30.5% of the employees at the private security sector) and their turnover for the year 2007 exceeded \$113.5 million (34.4% of the market). The number of guarded and secured sites exceeds 112,900. More than 60% of the commercial banks registered in the Republic of Bulgaria avail themselves of the cash collection services offered. The Association is a member of the Confederation of European Security Services (CoESS).

Local production is limited to parts and accessories for telephones and installations, metal detectors, safe deposit boxes, intercoms, sirens, control panels, control alarm systems, electronic locking systems for elevators; electronic locking systems for external doors inputs, TV systems for day/night surveillance, systems for perimeter and outside perimeter guarding, cameras and lenses, communication cables, fire detectors, equipment and parts for access control, signaling devices and production of protective clothing with special purpose (fireproof, antistatic, water and oil-proof, wind-proof and aggression-proof). There is little local production in electronic security equipment, due to lack of investment in research and development of new technology.

The growth in the safety and security equipment and services sector in Bulgaria is driven by the demand for new investments by financial institutions, airports, large industrial groups, multinational corporations, real estate companies, shopping centers, and retail chains.

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Ministry of Finance, State Agency Customs – www.customs.bg

Ministry of Interior – www.mvr.bg

Ministry of Transportation – www.mtitc.government.bg

Bulgarian Chamber of Commerce – www.bcci.bg/fairs/security

Bulgarreklama Agency – www.iec.bg

Travel and Tourism

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The World Tourism Organization describes Bulgaria as one of the most appealing “new faces” in the tourism industry today, and it is true that this industry has gone from rags to riches over recent years.

The tourist industry is certainly one of the most dynamic sectors of the Bulgarian economy. The recent strategy of the Ministry of Economy , Energy and Tourism of Bulgaria includes the tourism in the group of the most competitive sectors of the Bulgarian economy. The tourist sector is important also from macroeconomic point of view. It is one of the few sectors, generating foreign trade surpluses and hence contributing to the external equilibrium of the Bulgarian economy. The tourism industry accounts for nearly 10% of the country's GDP. Bulgaria's revenue from foreign tourists exceeded EUR 2.7 billion. In 2011, Bulgaria's revenue from foreign tourists grew by 4.5%, while the total number of foreign visitors to the country increased by 14%. At the same time, the total revenue from Bulgarian tourists was more than EUR 770 M.

Accession to the EU has made a positive impact on the market, due to the improved facilities and hotels, great affordability and accessibility, and increased exposure. The seaside summer resorts on the Black Sea coast and the winter mountain resorts are the main attractions. Alternative streams such as art, wine, spa-based travel, and a wide range of archaeological, historic, scenic and recreational attractions have good potential for development. The building golf courses, marinas, and luxury spa facilities aims to shift a greater percentage of tourists away from low revenue package tours and into more luxurious, upscale resorts. The Bulgarian Government would like to increase off-season tourism, attracting higher spending travelers by further developing its convention and festival markets.

Market segments in the tourism sector development with high potential for American firms are the development of wellness and spa complexes, golf courses, hotel management, development and expansion of marinas, high-end convention hotel development, and amusement parks and attractions. The sector offers opportunities for utilization of seasonally employed workers.

With regard to Bulgarian tourism in the United States, among the primary reasons Bulgarians travel to the U.S. are leisure, incentive tours, holidays, and business including participation at conferences and exhibitions, and visits to relatives. More than 250,000 Bulgarian-Americans live in the U.S. and approximately 3,700 Bulgarian students study at American universities and colleges. Over 40,000 Bulgarian students experienced the “Summer Work and Travel” Program that begun in the late 1990's.

The primary information source for Bulgarian travelers remains their travel agent. The Internet is also considered a reliable source, especially by travelers aged 20-35. U.S. destinations have become very popular because of the weak dollar and the increased disposable income of Bulgarians.

The U.S. Commercial Service can facilitate information exchange between U.S.-based tour operators and tourism establishments in Bulgaria. There are many mutually beneficial opportunities for business partnerships and/or collaborations. Also, regional business cooperation should be encouraged through business development (e.g., tours which combine several countries in the region).

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National Hospitality Management Club www.tourmarketing.org

International Tourism Conferences and tourist info www.bulgariantourism.com

National Tourist Info Center & Tourism Authority www.bulgariatravel.org

Bulgarian Tourist Chamber www.btch.org

Ministry of Economy and Energy – tourism sector www.mi.government.bg

State Agency for Tourism – www.bulgariatravel.org

EU membership has had a significant impact on trade in food and agricultural products in Bulgaria. Certain opportunities for U.S. exporters have all but disappeared (beef, poultry) while others have expanded (below). There are also several new market opportunities for new food products. In general, Bulgarian agricultural and food imports from the U.S. will increasingly resemble the profile of U.S. exports to other EU member states that is heavily weighted toward consumer-oriented and high-value products. In 2011 (January-November), these two categories accounted for 47% of total agricultural exports to Bulgaria. The category of intermediate products registered the highest growth in exports of 245%, followed by bulk products, 97%. The demand for these products will grow due to the expanding share of disposable income that is taken by retail and food service sectors.

In 2008/09 there was a visible shift in trade and consumption trends within certain product groups toward more expensive, higher-quality products, including distilled spirits, snack foods, tree nuts, seafood, and soft drinks. However, the current economic and financial crisis slowed down this trend in 2010/2011 and most likely in 2012. Despite economic challenges, however, and due to persistent AgSofia policy advocacy and marketing efforts, in 2011 total U.S. agricultural exports increased by 101% (January-November) compared to a year before. Although some improvement in general economic situation is expected in late 2012 and 2013, lower-than-average consumer incomes will still continue to be the major limiting factor in expanding U.S. sales. In 2012, most importers will be able to operate more efficiently in the new business environment, in which convergence with EU norms is taking place gradually. Many Bulgarian importers are switching from importing directly from the U.S. to importing from wholesalers/importers within the EU which have longstanding links with U.S. exporters. For many Bulgarian importers this tends to be a relatively efficient way to buy U.S. products.

Due to growing investment and rising demand in the agricultural sector, U.S. export prospects are expected to continue to improve for agricultural inputs, including animal feed and feed additives, bovine and other animal genetic material, live animals, seeds, planting materials, and raw materials such as cotton, wool, powdered milk, and egg powder.

The major competitor for U.S. food exporters will be producers from other EU member states which have facilities in Bulgaria, as the result of a direct investment, or ship product to Bulgaria from other EU member states.

Good prospects exist for the following agricultural/food products:

1. Distilled spirits

With Bulgaria's accession to the EU, export opportunities in this sector have expanded. Total imports of distilled spirits (whiskey) to Bulgaria in 2008 reached \$56 million. In 2009, imports dropped to \$45 million, and in 2010 to \$41 million. However, in 2011 (January-October), imports were better at \$45 million or 54% more than in 2010 (same

time period). U.S. distilled spirits exports reached a record of \$5.2 million in 2008, and a temporary drop in 2009/2010 to over \$4.1 million due to general economic challenges. In 2011 (January-November), however, imports increased substantially by 44% to reach a new record ever of \$5.7 million. Today, the market is stable, brands assortment on the market is higher, and the prospects for imports are very good.

Tax regulations which were revised in 2007/08 made locally-produced spirits more expensive and less competitive compared to high-quality U.S. spirits. Import duties have declined to zero in many cases. EU competition is strong, since EU producers are benefitting from the same lower tariffs and stiffer regulatory requirements that are assisting U.S. exports. On the other hand, U.S. exporters may face the challenge of violations of intellectual property rights. According to importers, prospects for the next several years are very promising.

2. Seafood

Bulgaria is a net importer of fish and seafood over the last ten years. The local market for imports in 2008 and 2009 was estimated at 28,000 MT (\$50 million); 2010 – 26,000 MT (\$53 million), and in 2011 (January - October) it stood at 21,000 MT (\$48 million) or 12% more than a year earlier. More than 80 percent of total imports are frozen fish. U.S. exports of seafood to Bulgaria were stable during the last three years. However, while domestic demand for all seafood products is not expected to have dropped, U.S. seafood exports to Bulgaria fell to around \$3.0 million in 2007 due to the introduction of new EU regulatory requirements for imports and higher import duties on certain products from May to November. Despite this change, U.S. seafood exports in 2008 -2010 were stable at \$2.5- \$3.3 million. In 2009, more high-value seafood products were imported (salmon, heck and lobsters). In 2010, U.S. exports dropped to below \$1.0 million due to economic challenges. Although direct imports in 2011 were smaller per the official data, industry reported that the actual imports were higher at close to \$4.0 million (not final data) as U.S. seafood was imported through other EU countries, mainly via Greek and Romanian ports. Prospects for seafood imports remain very good due to steady market development. Demand for seafood is supported by the rapid expansion of retail and food service outlets which sell consumer-ready and ready-to-eat products.

3. Tree nuts

The Bulgarian market for tree nuts has had record growth over the past years: from \$1.3 million in 2006, U.S. exports grew to \$3.9 million in 2008. There was a temporary drop in trade in 2009 and 2010 when U.S. exports declined to \$2.7 - \$2.8 million. In 2011 (January – November), exports had a substantial growth of 83% and reached the record of \$4.8 million. Demand is expanding due to the growing number of food service outlets, to tourism, and to an increase in the number of middle-and high-income consumers. Prospects for U.S. exporters in 2012 are very good due to recognized U.S. quality, a favorable tariff and regulatory regime, a lack of local production of quality tree nuts, and growing demand.

4. Wine

Wine market has enjoyed a steady growth in 2008-2011, along with increased diversity and quality. High-end and imported wine segment was the most dynamic and with strong market presence. Total Bulgarian wine imports reached over \$16.5 million in

2008, and after a temporary drop in 2009 to \$11.6 million due to economic challenges, has recovered in 2010 to \$12.2 million. In 2011 (January-October), wine imports demonstrated stable growth of 44% in value and 12% in volume compared to the same period in 2010. Imported wines have a stable presence on the Bulgarian market due to modern trade development, slowly but steadily improving consumer income, new lifestyle and active promotions. At the food service sector, imported wines are leading sales due to a much higher demand, enabling imported wines to compete with select local products; U.S. wines still have limited presence at the retail chains. Although wine market is not big, it is highly competitive. Competition comes from Chile, Spain, France, South Africa, Italy, etc. In 2011 (January-November), however, due to strong promotional activities of importers and AgSofia, direct U.S. wine exports grew by 38%.

5. Snacks/Cereals

U.S. companies face substantial competition from EU producers in the snack foods market. Snack foods generally are sourced from EU companies in the EU, or are produced locally as the result of foreign direct investment (including U.S.). Bulgaria does not have a tradition of either producing or consuming high-quality or price-competitive snack foods. Consumption has been growing, thanks to changing consumer tastes due to travel, marketing by snack foods companies, rising incomes, and expanded tourism. Since production of snack foods has not kept up with demand, much of the local consumption is met by imports. In 2007, U.S. snack foods exports reached \$1.1 million and increased further to \$1.4 million in 2008. In 2009 - 2010, due to the economic crisis, exports dropped below \$1.0 million, however, in 2011 (January-November) exports rebounded by 35% on an annual basis. Prospects for 2012 remain very good. Recently, local production of confectionery products has grown, thanks to investment by EU-based companies (the American-owned Kraft Foods and Nestle). Their products successfully compete with imports. Currently, there are only a few local Bulgarian producers of snack foods but their market share has been rising. Local consumers perceive U.S. products as high quality and as having competitive prices. The most popular are U.S. microwave popcorn, breakfast cereals, and some types of confectionery products.

6. Dairy genetics

Over the last three years, Bulgarian dairy farm industry has significantly increased its demand for high quality genetics materials, both for live animals, imported mainly from the EU, and for semen and embryos imported from the U.S. Farmers highly appreciate U.S. genetics and as of today, its market size is estimated at over 70 percent (in 2010/2011) of total genetics market. In value, it is close to \$1.0 million with a forecast to increase quickly to \$2.0 million in the medium term. Trade regime (no import duties) and veterinary requirements are favorable, along with fast growing local demand.

7. Soft drinks/waters/juices

Soft drinks market is a one of the most dynamic in Bulgaria. In 2008, total imports of soft drinks (HS#2201, HS#2202) imports were \$54 million followed by imports of juices (HS#2009) at \$29 million, or total \$83.4 million. In 2009, imports increased to total \$66 million (\$45 million and \$21 million for the above two categories, respectively); but in 2010 it dropped to \$63.4 million, including \$44 million soft drinks and \$19 million juices. In 2011 (January-October), however, imports began to rebound. Imports (in value)

under HS#2201 were 61% more, under HS#2202, 35% higher (and 20% more in volume), and imports of juices were 10% upward.

Major competitors on this market include companies in Ireland, Austria, Poland, Belgium, Romania, Netherlands and Israel which have more than 70 percent market share.

These countries are competitive mainly due to their proximity (lower freight costs, traditional ties). Local consumption of waters, juices and energy drinks is increasing, especially in the last three years with the continued rapid development of hotel/restaurant sector. According to the local Association of Soft Drinks Producers, local consumption is expected to continue to increase over the next several years. U.S. producers can successfully compete with juice concentrates for local manufacturers (almost all concentrates are currently imported) as well as with some juices for direct consumption that are of higher quality and can be differentiated from local products. For example, cranberry juice and other frozen juices would be very popular with Bulgarian consumers if they were price competitive. EU tariffs are relatively high, however, compared with Bulgaria's pre-accession duties of 15-20 percent. EU duties are currently 15.2 percent + 20.6 Euro/100 kilos and 33.6 percent + 20.6 Euro/100 kilos.

If you would like more information, please contact the Office of Agricultural Affairs at the U.S. Embassy: agsofia@usda.gov Insert text here)

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Import Tariffs

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Bulgaria joined the EU on January 1, 2007, and became part of the EU customs union. Most Bulgarian customs provisions were replaced with the respective EU regulations including the Community Customs Code, the Integrated Community Tariff (TARIC) and implementing provisions.

TARIC is designed to show various rules applying to specific products being imported into the customs territory of the EU or, in some cases, when exported from it. To determine if a license is required for a particular product, check the TARIC.

The TARIC can be searched by country of origin, Harmonized System (HS) Code, and product description on the interactive website of the Directorate-General for Taxation and the Customs Union. The online TARIC is updated daily.

Key Link:

http://ec.europa.eu/taxation_customs/customs/customs_duties/tariff_aspects/customs_tariff/index_en.htm

Trade Barriers

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Bulgaria remains a relatively open market, but certain administrative requirements and processes are potential non-tariff trade barriers. The lack of adequate protection of intellectual property, and the need for greater transparency and predictability in the regulatory environment are common market access issues with U.S. firms. This Chapter and the section on standards describe import requirements that may be considered as trade barriers.

For information on existing trade barriers, please see the National Trade Estimate Report on Foreign Trade Barriers, published by USTR and available through the following website:

http://www.ustr.gov/sites/default/files/uploads/reports/2009/NTE/asset_upload_file348_15473.pdf

Information on agricultural trade barriers can be found at the following website:

<http://www.fas.usda.gov/posthome/useu/>

To report existing or new trade barriers and get assistance in removing them, contact either the Trade Compliance Center at <http://www.trade.gov/tcc> or the U.S. Mission to the European Union at <http://www.buyusa.gov/europeanunion>.

Import Requirements and Documentation

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(Customs valuation is based on the transaction value – the price actually paid or payable for the goods, defined in Bulgarian Leva. The dutiable value consists of the purchase price, transportation costs, insurance charges, commissions, royalties, license fees and all the transportation costs (e.g., loading and unloading). After the calculation of the customs duty, all U.S. imports are subject to a 20% Value Added Tax (VAT), levied at the time of customs clearance. Some commodities are also subject to excise duties.

Goods are declared by a customs declaration either by a commercial or other document. The customs authorities may carry out post-clearance examination of relevant documents or data. Besides the customs declaration, other required documents include an invoice or pro forma invoice, a certificate of origin or a certificate of the movement of the goods in order to take advantage of preferential customs treatment, transport documents, an insurance policy, a specification, an Economic Operators Registration and Identification number (EORI) and a packing list. A veterinary or phyto-sanitary certificate is necessary for goods of animal or plant of origin. Customs authorities may require other documents, such as a commercial treaty or a laboratory analysis.

The European Commission Safety & Security regulations and the Advance Cargo Declaration are mandatory as of January 2011 for all goods leaving, arriving or transiting in the European Community.

A document issued by the competent State authority is required in case the goods are subject to a specific import procedure or a special import regulation is applied (permits, registration).

1. Permits (Licenses)

According to Decree 289/2009, a permit is required prior to the entry of the following products: nuclear materials, explosives, arms, dual use commodities, plant protection products, and pharmaceuticals for human medicine. This is a non-automatic licensing process.

Bulgarian Customs exercises control over the export, import, re-export and transit of arms and dual-use goods and technologies. Bulgarian regulations follow the EU list of

dual-use goods, which includes goods and technologies in the nuclear weapon, chemical and biological warfare and missile areas. A permit for each transaction (import, export and re-export) and transit with dual-use goods and arms issued by the Commission for Control and Permission for Foreign Transactions in Arms and Dual-use Goods and Technologies of the Ministry of Economy and Energy is required regardless of destination. More information on dual use and arms export control is available from the Interministerial Commission for Export Control and Non-Proliferation of Weapons of Mass Destruction, www.exportcontrol.bg

In case a company need to know whether your item falls under control, it is necessary to search for items that are comparable (similar) from the Lists of the controlled items, namely:

for import: Decree (CoM) No. 289 / 2009

for export and re-export: Annex I to Council Regulation (EC) No. 428/2009

for transfer: Annex IV of Council Regulation (EC) No. 428/2009

2. Special Import/Export Requirements and Certifications

REACH

REACH is a major reform of EU chemicals policy that was adopted in December 2006 and became national law in the 27 EU member states in June 2007 (Regulation 1907/2006). Virtually every industrial sector, from automobiles to textiles, is affected by the new policy. REACH stands for the "Registration, Evaluation and Authorization and Restriction of Chemicals." Since June 1, 2008, REACH requires chemicals produced or imported into the EU in volumes above 1 ton per year to be registered with a central European Chemicals Agency (ECHA), including information on their properties, uses and safe ways of handling them. Chemicals pre-registered before December 1, 2008, benefit from extended registration deadlines, from three to eleven years depending on the volume of the substance and its hazardous properties. U.S. companies without a presence in Europe cannot register directly and must have their chemicals registered through their importer or EU-based 'Only Representative of non-EU manufacturer'. A list of Only Representatives can be found on the website of the U.S. Mission to the EU: <http://www.buyusa.gov/europeanunion/reach.html>.

U.S. exporters to the EU should carefully consider the REACH 'Candidate List' of substances of very high concern. Substances on that list are subject to communication requirements, and, at a later stage, may require authorization for the EU market. For more information, see the ECHA website:

http://echa.europa.eu/chem_data/authorisation_process/candidate_list_table_en.asp

WEEE & RoHS

EU rules on Waste Electrical and Electronic Equipment (WEEE), while not requiring specific customs or import paperwork, may entail a financial obligation for U.S. exporters. They require U.S. exporters to register the products with a national WEEE authority, or arrange for this to be done by a local partner. Similarly, related rules for Restricting the Use of Hazardous Substances (RoHS) lead, cadmium, mercury, hexavalent chromium, PBBs, and PBDEs, do not entail customs or importation paperwork. However, U.S. exporters may be asked by a European RoHS enforcement

authority or by a customer to provide evidence of due diligence in compliance with the substance bans on a case-by-case basis. The WEEE and RoHS Directives are currently being revised to enlarge the scope and add substances to be banned in electrical and electronic equipment; U.S. exporters seeking more information on WEEE and RoHS regulations should visit: <http://www.buyusa.gov/europeanunion/weee.html>

Products for human consumption should be analyzed in approved local laboratories in cooperation with local authorities. The State Agency for Standards and Metrology strictly enforces Bulgarian quality standards, which do not always coincide with generally accepted international standards. Foreign certificates may or may not be considered adequate. After approval is issued, the commodities may be sold on the local market

Agricultural Documentation

Phytosanitary Certificates: Phytosanitary certificates are required for most fresh fruits, vegetables, and other plant materials.

Sanitary Certificates: For commodities composed of animal products or by-products, EU countries require that shipments be accompanied by a certificate issued by the competent authority of the exporting country. This applies regardless of whether the product is for human consumption, for pharmaceutical use, or strictly for non-human use (e.g., veterinary biologicals, animal feeds, fertilizers, research). The vast majority of these certificates are uniform throughout the EU, but the harmonization process is not complete. During this transition period, certain member state import requirements continue to apply. In addition to the legally required EU health certificates, a number of other certificates are used in international trade. These certificates, which may also be harmonized in EU legislation, certify origin for customs purposes and certain quality attributes. Up-to-date information on harmonized import requirements can be found at the following website: <http://www.fas.usda.gov/posthome/Useu/certificates-overview.html>

Sanitary Certificates (Fisheries): In April 2006, the European Union declared the U.S. seafood inspection system as equivalent to the European one. Consequently, a specific public health certificate must accompany U.S. seafood shipments. Commission Decision 2006/199/EC lays down specific conditions on imports of fishery products from the U.S. Unlike for fishery products, the U.S. shellfish sanitation system is not equivalent to EU's one. The EU and the US are currently negotiating a veterinary equivalency agreement on shellfish. In the meantime the EU has put a ban in place since July 1, 2010, that prohibits the import of US bivalve mollusks, in whatever form, into the EU territory. This ban doesn't apply to wild roe-off scallops.

With the implementation of the second Hygiene Package, aquaculture products coming from the United States must be accompanied by a public health certificate according to Commission Decision 2006/199/EC and the animal health attestation included in the new fishery products certificate, covered by Regulation (EC) 1250/2008. This animal health attestation is not required in the case of live bivalve mollusks intended for immediate human consumption (retail).

Since June 2009, the unique U.S. competent authority for issuing sanitary certificates for fishery and aquaculture products is the U.S. Department of Commerce, National Marine Fisheries Service (NOAA-NMFS).

In addition to sanitary certificates, all third countries wishing to export fishery products to the EU are requested to provide a catch certificate. This catch certificate certifies that the products in question have been caught legally.

For further information on the issuance of this specific certificate please see the link below.

For detailed information on import documentation for seafood, please contact the NOAA Fisheries office at the U.S. Mission to the EU (stephane.vrignaud@trade.gov) or visit the following NOAA dedicated web site: http://www.seafood.nmfs.noaa.gov/EU_Export.html

U.S. Export Controls

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For exports of sensitive technologies to Bulgaria, U.S. exporters should consult the U.S. Department of Commerce Bureau of Industry and Security web site <http://www.bis.doc.gov> for specific U.S. export licensing requirements.

Temporary Entry

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Products may be imported into Bulgaria on a temporary basis as long as they are not prohibited by law. The entry of samples and products for trade exhibitions is allowed. The commodities intended for re-export without being subject to any changes in their characteristics may be totally or partially exempt from customs duties. In practice, Customs requires a deposit equivalent to the assessed duties or a bank guarantee during the temporary import period. Bulgaria is a party to the Customs Convention on Carnet (ATA) for Temporary Import of Goods.

More information on ATA: *The purpose of the Convention on temporary admission is to simplify procedures on temporary imports of certain kinds of goods (professional equipment, goods for exhibitions, etc.). The ATA Carnet is a customs document to perform temporary importation and temporary exportation and it also serves as a transit document for transit of goods to the country of temporary importation.*

Apart from the temporary import, the law sets out procedures concerning transit, customs warehousing, inward processing, processing under customs control, and outward processing. The law provides for public and private bonded warehouses.

Labeling and Marking Requirements

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An overview of EU mandatory and voluntary labeling and marking requirements has been compiled in a market research report that is available at:

http://www.buyusainfo.net/docs/x_4171929.pdf

Prohibited and Restricted Imports

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The EU's Common External Customs Tariff - TARIC is designed to show various rules applying to specific products being imported into the customs territory of the EU or, in some cases, when exported from it. To determine if a product is prohibited or subject to restriction, check the TARIC for that product for the following codes:

CITES	Convention on International Trade of Endangered Species
PROHI	Import Suspension
RSTR	Import Restriction

For information on how to access the TARIC, see the Import Requirements and Documentation Section above.

Key Link:

http://ec.europa.eu/taxation_customs/customs/customs_duties/tariff_aspects/customs_tariff/index_en.htm

Customs Regulations and Contact Information

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U.S. companies may direct inquiries to the Bulgarian Customs Agency.

Director: Mr. Vanio Tanov

47, Rakovska Street

1202 Sofia, Bulgaria

Phone: 359-2-9859-4213

E-mail: pr@customs.bg

<http://www.customs.bg/>

Standards

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Products tested and certified in the United States to American standards are likely to have to be retested and re-certified to EU requirements as a result of the EU's different approach to the protection of the health and safety of consumers and the environment.

Bulgaria has its standardization, conformity assessment, accreditation and product certification bodies. In certain areas, such as processed foods, beverages and pharmaceutical products, individual ministries or agencies issue sector-specific standards and certificates. Bulgaria is making an effort to harmonize its national standards with international standards. Bulgaria is a participant in the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC) and International Technical Union (ITU).

The Bulgarian Institute for Standardization will answer questions regarding standards <http://www.bds-bg.org/> or the Bulgarian Institute of Metrology <http://www.bim.government.bg>.

The major requirements for product safety are regulated in ordinances issued by the appropriate ministries and comply with the respective EU directives.
(see http://www.bds-bg.org/pages/?button_id=38)

Standards Organizations

(1. Ministry of Economy, Energy and Tourism through its European Integration Department <http://www.mi.government.bg/integration/eu/harmonize.html> is responsible for harmonizing the Bulgarian legislation with the EU legislation including everything related to ensuring the whole metrology, standardization, certification and testing, verification and accreditation process is in compliance with the EU requirements. The law on metrology can be reviewed on this web site as well.

2. Bulgarian Drug Agency of the Ministry of Health <http://www.bda.bg> is responsible for registration, product testing & certification, and establishing standards for pharmaceutical products and implants. The Ministry of Healthcare <http://www.mh.government.bg> is responsible for certification, registration, import licensing and establishing standards for some medical equipment, medical and natural products. In some cases, the Ministry of Healthcare performs these activities jointly with the Drug Agency.

3. Ministry of Agriculture and Food <http://www.mzh.government.bg> is the authority responsible for agriculture and food products testing and certification, registration of technical documentation, product certification, assessment of conformity, and establishing the national policy as to the Mutual Recognition Arrangement (MRA's) with international standardization institutions. It is responsible for the in-country and border control health and sanitary policy. The Ministry is performing its functions related to standards, certification, verification and conformity assessment through its National Services that are listed on its web site; the most important one being the National Veterinary Medical Service <http://www.nvms.government.bg/index.php> through its Directorate for Public Health Control. In January 2011, Bulgaria passed new legislation

according to which the National Veterinary Medical Service, Phyto Sanitary Office and Public Health Offices of the Ministry of Health would be united in a single Food Safety Agency which will be responsible for the whole food and feed chain.

The Executive Agency Bulgarian Accreditation Service <http://www.nab-bas.bg> has accredited several laboratories for veterinary, food, and phyto sanitary expertise to perform laboratory testing, inspection, certification, auditing and verification of food, phyto and veterinary products.

4. The Bulgarian Institute for Standardization (www.bds-bg.org) performs all activities related to standardization, verification, editing and registration of standards for industrial commodities, machinery and transport equipment, construction and materials, chemistry, textiles, foodstuffs, electrical engineering commodities. The Bulgarian Institute for Standardization has signed Mutual Recognition Agreements (MRA's) with the following organizations:

DIN - Deutsches Institut für Normung

BSI - British Standards Institution

UNI - Ente Nazionale Italiano di Unificazione

ASTM International - American Society for Testing and Materials

The Bulgarian Institute for Standardization is a full member of the International Standard Organization (ISO), which is the core international standardization body, and of International Electrotechnical Commission (IEC). The Institute is also an affiliate member of the European Committee for Electrotechnical Standardization (CENELEC) and of the European Committee for Standardization (CEN).

Bulgaria as a Member country of the World Trade Organization (WTO) is required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL:
<http://www.nist.gov/notifyus/>

Conformity Assessment

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(Conformity Assessment is a mandatory step for the manufacturer in the process of complying with specific EU legislation. The purpose of conformity assessment is to ensure consistency of compliance during all stages, from design to production, to facilitate acceptance of the final product. EU product legislation gives manufacturers some choice with regard to conformity assessment, depending on the level of risk involved in the use of their product. These range from self-certification, type examination and production quality control system, to full quality assurance system. conformity

assessment bodies in individual member states are listed in NANDO, the European Commission's website.

Key Link: <http://ec.europa.eu/enterprise/newapproach/nando/>

To promote market acceptance of the final product, there are a number of voluntary conformity assessment programs. CEN's certification systems are the Keymark, the CENCER mark, and CEN workshop agreements (CWA) Certification Rules. CENELEC has its own initiative. ETSI does not offer conformity assessment services.

The conformity assessment body in Bulgaria is the Bulgarian Institute of Metrology <http://www.bim.government.bg>. The Agency is performing fundamental metrology, metrological control, monitoring and supervision; conformity assessment; technical inspection of high-risk equipment; market surveillance and quality control of liquid fuels.

Product Certification

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Product certification is performed by the State Owned Certification JSC <http://exact.e-gov.bg>. The entity performs testing and certification of products and management systems.

To sell products on the EU market, U.S. exporters are required to apply CE marking whenever their product is covered by specific product legislation. CE marking product legislation offers manufacturers a number of choices and requires decisions to determine which safety/health concerns need to be addressed, which conformity assessment module is best suited to the manufacturing process, and whether or not to use EU-wide harmonized standards.

Products manufactured to standards adopted by CEN, CENELEC and ETSI, and published in the Official Journal as harmonized standards, are presumed to conform to the requirements of EU Directives. The manufacturer then applies the CE marking and issues a declaration of conformity. With the CE marking, the product will be allowed to circulate freely within the EU. A manufacturer can choose not to use the harmonized EU standards, but then must demonstrate that the product meets the essential safety and performance requirements. Trade barriers occur when design, rather than performance, standards are developed by the relevant European standardization organization, and when U.S. companies do not have access to the standardization process through a European presence.

The CE marking addresses itself primarily to the national control authorities of the member states, and its use simplifies the task of essential market surveillance of regulated products.

The CE marking is not intended to include detailed technical information on the product, but there must be enough information to enable the inspector to trace the product back to the manufacturer or the authorized representative established in the EU. This detailed information should not appear next to the CE marking, but rather on the declaration of conformity (which the manufacturer or authorized agent must be able to provide at any

time, together with the product's technical file), or the documents accompanying the product.

Accreditation

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There is only one national accreditation body in Bulgaria – the Executive Agency Bulgarian Accreditation Service http://www.nab-bas.bg/index_en.php The Agency reports directly to the Minister of Economy, Energy and Tourism and is the only national institute for accreditation of laboratories, certification bodies and inspection bodies. The Agency web site lists all accredited organizations and laboratories nationwide.

Publication of Technical Regulations

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Each law, regulation, ordinance, Council of Ministers decree, decision, nationwide technical regulation, agreement etc. enters into force after official publication in the national gazette (State Gazette). Final regulations, ordinances and laws are published in State Gazette and in the official journals of every issuing authority. The State Gazette is issued only in Bulgarian. There are several information system database providers, which translate legislation published in State Gazette. See <http://www.apis.bg/en/>, <http://www.ciela.bg> or www.daxy.com.

Labeling and Marking

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Manufacturers should be mindful that, in addition to the EU's mandatory and voluntary schemes, national voluntary labeling schemes might still apply. These schemes may be highly appreciated by consumers, and thus, become unavoidable for marketing purposes.

Manufacturers are advised to take note that all labels require metric units although dual labeling is also acceptable. The use of language on labels has been the subject of a Commission Communication, which encourages multilingual information, while preserving the right of member states to require the use of the language of the country of consumption.

The EU has mandated that certain products be sold in standardized quantities. Council Directive 2007/45/EC harmonizes packaging of wine and spirits throughout the EU. Existing national sizes will be abolished with a few exceptions for domestic producers.

Key Link: http://ec.europa.eu/enterprise/prepack/packsize/packsiz_en.htm

The Eco-label

The EU eco-label is a voluntary label which U.S. exporters can display on products that meet high standards of environmental awareness. The eco-label is intended to be a marketing tool to encourage consumers to purchase environmentally-friendly products. The criteria for displaying the eco-label are strict, covering the entire lifespan of the product from its manufacture, use, and disposal. These criteria are reviewed every three to five years to take into account advances in manufacturing procedures. There are

currently twenty-three different product groups, and approximately 250 licenses have been awarded for several hundred products.

Applications to display the eco-label should be directed to the competency body of the member state in which the product is sold. The application fee will vary between €300 and €1300 depending on the tests required to verify if the product is eligible. The eco-label also carries an annual fee equal to 0.15% of the annual volume of sales of the product range within the European community. However, the minimum annual fee is currently set at €500 and maximum €25,000.

There are plans to significantly reform the eco-label in the near future, reducing the application and annual fees and expanding the product ranges significantly. It is also possible that future eligibility criteria may take into account carbon emissions.

Contacts

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For more information on each group and its Bulgarian Standard Code (BDS) with EU cross-reference codes, please contact Stanislava Dimitrova at the U.S. Commercial Service - email: stanislava.dimitrova@trade.gov

Trade Agreements

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Bulgaria joined the EU in January 2007; became a member of the World Trade Organization in December 1996 and joined the Central European Free Trade Agreement (CEFTA) in January 1999. Bulgaria has free trade agreements with the following countries: China (1995), Croatia (1998), Turkey (1999); Macedonia (signed in 1999); Israel (2002); Albania (2003), Serbia and Montenegro (2004), Bosnia and Herzegovina (2004).

Web Resources

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<http://www.mi.government.bg> (Ministry of Economy, Energy and Tourism)

<http://www.customs.bg> (State Customs Agency)

<http://www.bda.bg> (Bulgarian Drug Agency)

<http://www.mzh.government.bg> (Ministry of Agriculture and Food Supply)

<http://www.bds-bg.org> (Bulgarian Institute for Standardization)

<http://www.bim.government.bg> (Bulgarian Institute of Metrology - BIM)

<http://exact.e-gov.bg> (State Certification JSC)

http://www.nab-bas.bg/index_en.php (Executive Agency Bulgarian Accreditation Service)

<http://www.apis.bg/en/> (Law publications, law and business-information database management)

<http://www.ciela.bg> (Law publications, law and business-information database management)

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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Bulgaria has a favorable foreign investment regime, including low, flat corporate and income taxes. Promising sectors for foreign investors include: information technology, telecommunications, environmental technology (including water and waste water infrastructure), biomass, agriculture (including beverage/processed foods industry), and other sectors related to infrastructure development. European Union integration has opened new markets for Bulgarian-produced goods and services. Bulgaria's workforce is generally well-educated and the cost of labor is the lowest in the EU. The judicial system suffers from high caseloads and frequent delays. There are no general limits on foreign ownership or control of firms nor means of screening or restricting foreign investment in Bulgaria. Foreign firms are not denied national treatment and there are no significant reports of discrimination against foreign investors. There are no requirements that nationals own shares of foreign investment and no laws authorizing firms to limit foreign investment. The country's geographic position places it at the crossroads of Europe, the Middle East, and the former Soviet Union. A stable U.S. ally, Bulgaria is a member of NATO, the EU, and the WTO. Although the government has demonstrated political will to root out corruption and organized crime, Bulgaria's corruption record worsened according to Transparency International (TI). TI's Corruption Perception Index for 2011 ranked Bulgaria 86 out of 183 countries surveyed, down 13 places compared to 2010, putting Bulgaria at the bottom among EU members for perceived corruption.

Investment Trends and Policies

Sound economic performance and political stability have enabled Bulgaria to attract leading foreign investors. Gradual convergence with the EU common market, fiscal prudence, and a national currency pegged to the Euro have provided stability and incentives for increased trade and investment. After several years of solid growth, the global financial crisis caused a rapid decline in new foreign direct investment (FDI). Since 2010 the volume of new FDI dropped to very low levels: from 9 billion Euros (USD 12 billion) in 2007 to 1.7 billion Euros (USD 2.2 billion) in 2010. Weak domestic demand, reduced demand for Bulgarian exports to the rest of Europe, and decreased government spending contributed to sluggish growth of less than 2 percentage points of GDP in 2011. The government's 2012 budget allocates twice as much as in 2011 for EU-funded development projects. (Note: Though the EU will ultimately reimburse Bulgaria for about 80 percent of this spending, Bulgaria is required to budget for the initial expenditure and to co-finance about 20 percent of each project.) In 2012, Bulgaria will focus its EU assistance particularly on road infrastructure and water and waste water infrastructure.

The 2004 Investment Promotion Act stipulates equal treatment of foreign and domestic investors. The law encourages investment in manufacturing, renewable energy, and high-technology, as well as in education and human resource development. It creates investment incentive by helping investors purchase land, provides state financing for basic infrastructure and for training new staff, and provides tax incentives and opportunities for public-private partnerships with central and local government. The law explicitly recognizes intellectual property and securities as foreign investments.

Common Forms of Investment

The most common type of organization for foreign investors is a limited liability company. The required minimum for registering a limited liability company is one Euro. Other typical corporate entities include joint stock companies, joint ventures, business associations, general and limited partnerships, and sole proprietorships. Foreign investors must comply with the 1991 Commercial Code, which regulates commercial and company law and the 1951 Law on Obligations and Contracts, which regulates civil transactions.

The 2003 Law on Special Purpose Investment Companies (SPIC) allows for public investment companies in real estate and receivables, essentially real estate investment trusts (REITs). Since a SPIC is considered a pass-through structure for corporate income tax purposes, at least 90 percent of its net income must be distributed to shareholders as taxable dividends. A SPIC must apply for an operational license from the Financial Supervision Commission within six months of registration.

Investment Barriers

Foreign investors often encounter the following problems: a sluggish government bureaucracy, poor infrastructure, corruption, frequent changes in the legal framework, lack of transparency, and pre-determined public tenders. In addition, a weak judicial system limits investor confidence in the courts' ability as an enforcement mechanism. U.S. industry reports continuing intellectual property rights (IPR) concerns in Bulgaria, particularly with respect to internet piracy, ineffective prosecution of IPR cases, and delays and conflicts of interest in enforcing patent protection. Current Bulgarian

legislation effectively bans all biotech crop trials and production, and imposes restrictions on soy or other plant proteins in meat products.

EU accession requirements have led to the adoption of a constitutional amendment which, beginning in 2014, will allow EU citizens and entities to acquire real property, while all other foreigners will be able to do so only on the basis of an international agreement ratified by the Bulgarian Parliament. This favors EU investors over those from the United States. There are no legal restrictions against real property acquisition by locally-registered, majority foreign-owned companies, which is the method most foreigners use to purchase property in Bulgaria.

In one instance an investor in the energy sector encountered difficulties connecting a new power production facility to the national electric grid. Initially it was due to resistance at the municipal level and later due to failure of the national electric company to install the necessary grid connection. In another case, the national electric company failed to honor a commitment to upgrade the grid, resulting in the operator's inability to use all power offered to it by the investor. Bulgaria has an excess of renewable energy proposals that significantly exceeds the capacity of the national electricity grid.

Privatization

Bulgaria completed its major privatizations in the 1990s and early 2000s, and the privatization program is gradually phasing out. All state-owned property is considered for privatization, with the exception of a specific list of companies including water management companies, state hospitals, and state sports facilities. Municipally-owned property is considered for privatization upon publication of the municipal privatization list in the State Gazette. Privatization methods include: public auctions, public tenders, and public offerings. Foreign companies, including state-owned ones, may purchase Bulgarian state-owned firms and the privatization process is generally fair and transparent. The 2010 Privatization and Post-Privatization Act created a single Privatization and Post-Privatization Agency which makes privatization decisions regarding: hospitals; equity and shares in companies 50 percent or more owned by the state; state-owned property valued at between BGN 10,000 (USD 6,800) and BGN 500,000 (USD 341,000), following approval from the Minister of Regional Development and Public Works and the Minister of Finance; and state-owned property valued at over BGN 500,000 (USD 341,000), following approval from the Council of Ministers. The Privatization and Post-Privatization Agency also oversees the implementation of privatization contracts and ensures that non-price privatization commitments (employee retention, technology transfer, environmental liability, and investment) in the privatization selection criteria are honored.

In 2011, the government sold the state tobacco holding Bulgartabac and the two most productive tobacco processing plants, in Blagoevgrad and Sofia. A privatization strategy for the sale of the arms factory in Sopot is pending in Parliament. The government has also announced plans to sell its remaining shares of two regional electricity distributors and some of its shares of the electricity grid operator and the gas infrastructure owner and operator on the local capital market. The free trade zones in Burgas, Plovdiv, and Ruse; the transit zone in Varna and the heat plant in Shumen remain in the government's privatization plans.

Concessions

Under the 2006 Law on Concessions, the state is authorized, on the basis of a concession agreement, to grant private investors a partial monopoly. Concessions are awarded on central and/or local government property on the basis of a tender and are issued for up to 35 years. The concession period may not be extended beyond this time limit. The decision for awarding a concession may be appealed before the Competition Protection Commission. There are three main concession categories: construction, services, and mining and exploration. Potential fields for concessions may therefore include construction of roads, ports, and airports; power generation and transmission; mining; petroleum exploration/drilling; telecommunications; forests and parks; beaches; and nuclear installations.

Third-party Rankings

Index Year Ranking

Transparency International Corruption Perception 2011 86 (out of 183)
Heritage Foundation Economic Freedom 2011 60 (out of 179)
World Bank Doing Business: Overall 2012 59 (out of 183)
World Bank Doing Business: Starting a Business 2012 49 (out of 183)
World Bank Doing Business: Dealing with Licenses 2012 128 (out of 183)
World Bank Doing Business: Registering Property 2012 66 (out of 183)
World Bank Doing Business: Getting Credit 2012 8 (out of 183)
World Bank Doing Business: Protecting Investors 2012 46 (out of 183)
World Bank Doing Business: Paying Taxes 2012 69 (out of 183)
World Bank Doing Business: Trading across Borders 2012 91 (out of 183)
World Bank Doing Business: Enforcing Contracts 2012 87 (out of 183)
World Bank Doing Business: Closing a Business 2012 90 (out of 183)

Conversion and Transfer Policies

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Foreign exchange is freely accessible. The 2007 amendments to Bulgaria's Regulation 10 of the 1999 Foreign Currency Act stipulate that anyone may import or export up to EUR 10,000 (USD 13,330) or its foreign exchange equivalent without making a customs declaration. Importing or exporting over EUR 10,000 or its foreign exchange equivalent must be declared. Exporting over BGN 25,000 (USD 17,120) in cash requires a declaration about the source of the funds, supported by documents certifying that the exporter does not owe taxes. No tax certificate is required for foreigners exporting the cash equivalent of BGN 25,000 or greater provided the amount is equal to or less than the amount declared when imported. Bulgarian law requires all international payments over BGN 25,000 to be executed via bank transfer with supporting documentation detailing the purpose of the transaction. The central bank and commercial banks record every international transaction that is equal to or more than 100,000 BGN (USD 69,000).

Expropriation and Compensation

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Private real property rights are legally protected by the Bulgarian Constitution. Only in a case where a public need cannot be met by other means, the Council of Ministers or a

regional governor may expropriate land provided that the owner is compensated at fair market value. No taxes are levied on the expropriation transaction. Expropriation actions of the Council of Ministers can be appealed directly to the Supreme Administrative Court on the legality of the action itself, the property appraisal, or the amount of compensation. A regional governor's expropriation can be appealed in the appropriate local administrative court. In its Bilateral Investment Treaty (BIT) with the United States, Bulgaria committed itself to international arbitration in the event of expropriation and other investment disputes..

Dispute Settlement

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The Judicial System

The Bulgarian Constitution serves as the foundation of the legal system and creates an independent judicial branch comprised of judges, prosecutors, and investigators. Despite reform efforts, the judiciary suffers from serious backlogs and overly formalistic or inefficient procedures that hamper the swift and fair administration of justice. Corruption remains a serious problem. The judiciary consistently scores among the least approved institutions in the country with widespread allegations of nepotism, opaque selection procedures, and political and business influences.

There are three levels of courts. The 113 regional courts exercise jurisdiction over civil and criminal cases. Above them, 29 district courts (including the Sofia City Court) serve as courts of appellate review for regional court decisions and have trial-level (first-instance) jurisdiction in serious criminal cases and in civil cases where claims exceed BGN 25,000 (USD 16,660), excluding alimony, labor disputes, and financial audit discrepancies, or in property cases where the property's value exceeds BGN 50,000 (USD 33,330). Five appellate courts review the first-instance decisions of the district courts. The Supreme Court of Cassation is the court of last resort for criminal and civil appeals. There is a separate system of 28 specialized administrative court which rules on the legality of local and national government decisions with the Supreme Administrative Court serving as appeals instance. The Constitutional Court, which is separate from the rest of the judiciary, issues final rulings on the compliance of laws with the Constitution and legitimacy of elections.

Bulgaria has effective means of enforcing property and contractual rights. The government's record of handling investment disputes is generally slow and bureaucratic but usually the issues are resolved. There are no outstanding investment disputes involving U.S. companies.

Bankruptcy

The 1994 Commercial Code Chapter on Bankruptcy provides for reorganization or rehabilitation of a legal entity, maximizes asset recovery, and provides for fair and equal distribution among all creditors. The law applies to all commercial entities, except public monopolies or state-owned companies established by a special law. Bank failures are regulated under the 2002 Bank Insolvency Act and 2006 Credit Institutions Act, while the 2005 Insurance Code regulates insurance company failures.

Non-performance of a monetary obligation must be adjudicated before the bankruptcy court can determine whether the debtor is insolvent. There is a presumption of insolvency when the debtor is unable to perform an executable obligation under a commercial transaction or public debt, or related commercial activities, has suspended all payments, or is able to pay only the claims of certain creditors. The debtor is deemed over-indebted if its assets are insufficient to cover its short-term monetary obligations.

Bankruptcy proceedings may be initiated on two grounds: the debtor's insolvency, or the debtor's excessive indebtedness. Under Part IV of the Commercial Code, debtors or creditors, including state authorities such as the National Revenue Agency, can initiate bankruptcy proceedings. The debtor must declare bankruptcy within 30 days of becoming insolvent or over-indebted. The 2010 amendments to the Commercial Code increased protection for creditors in bankruptcy proceedings by prohibiting a debtor from falsifying the date of insolvency to avoid claims after a certain date. The application for bankruptcy submitted by the debtor is published in the Commercial Register, thus providing all creditors and contractual partners with information about the bankruptcy proceedings. Should any creditor or contractual partner file a request for bankruptcy in court, such a claim is heard in the presence of both the creditor and the debtor.

Once insolvency is determined, the court appoints an interim trustee to represent and manage the company, take inventory of property and assets, identify and convene the creditors, and develop a recovery plan. At the first meeting of the creditors, a trustee is nominated; usually this is just a reaffirmation of the court appointed interim trustee.

Bankruptcy proceedings supersede other court proceedings initiated against the debtor except for labor cases, enforcement proceedings, and in cases related to receivables securitized by third parties' property. Such cases may be initiated even after bankruptcy proceedings begin. The scope of the parties which may seek protection against a debtor's unfair activities and appeal the court decision to initiate a bankruptcy proceeding is extended to third parties with securities, when securities have been entered in public registers before the date of the claim starting the bankruptcy procedure.

Creditors must declare to the trustee all debts owed to them within one month of the start of bankruptcy proceedings. The trustee then has seven days to compile a list of debts. A rehabilitation plan must be proposed within one month after publication of the list of debts in the Commercial Register. The 2010 amendments to the Commercial Code limit the application of the rehabilitation plan to debts approved up to the moment of submission of the rehabilitation plan.

After creditors' approval, the court endorses the rehabilitation plan, terminates the bankruptcy proceeding and appoints a supervisory body for overseeing the implementation of the rehabilitation plan. The court must endorse the plan within seven days and put it forward to the creditors for approval. The creditors shall convene to discuss the plan within a period of 45 days. The court may renew the bankruptcy proceedings if the debtor does not fulfill its obligations under the rehabilitation plan. June 2003 legislation provided for examinations for individuals applying to become trustees and obliged the Ministers of Justice and Economy to organize annual training courses for trustees. In June 2005, the ministries of Justice, Economy, and Finance published a regulation on the procedure for appointment, qualification, and control over the trustees.

The methods of liquidating assets were also revised by the June 2003 legislation to establish a legal framework for selling assets that accounts for the character of bankruptcy proceedings, thus avoiding the need to apply the Civil Procedure Code. The regime includes rules requiring publicity for asset sales.

Execution of Judgments

To execute a judgment, a final ruling must be obtained. The court of first instance must then be petitioned for a writ of execution (based on the judgment). On the basis of the writ of execution, a specialized category of professionals, execution agents, seize the assets or ensure the performance of the ordered action. Both private and state execution agents operate in Bulgaria. A new Civil Procedure Code, effective since March 2008, streamlined civil procedures, including the execution of judgments. Foreign judgments can be executed in Bulgaria. Execution depends on reciprocity, as well as bilateral or multilateral agreements, as determined by an official list maintained by the Ministry of Justice. The United States does not currently have reciprocity with Bulgaria; Bulgarian courts are not obliged to honor decisions of U.S. courts. All foreign judgments are handled by the Sofia City Court, which must determine that the judgment does not violate public decrees, standards, or morals before it can be executed.

International Arbitration

Pursuant to its Bilateral Investment Treaty (BIT) with the United States, Bulgaria has committed to a range of dispute settlement procedures starting with notification and consultations. Bulgaria accepts binding international arbitration in disputes with foreign investors.

The most experienced arbitration institution in Bulgaria is the Arbitration Court (AC) of the Bulgarian Chamber of Commerce and Industry (BCCI). Established more than 110 years ago, the AC hears civil disputes between legal persons, one of whom must be seated outside Bulgaria. It began to act as a voluntary arbitration court between natural and/or legal persons domiciled in Bulgaria in 1989.

Arbitration is regulated by the 1988 Law on International Commercial Arbitration, which is based on the United Nations Commission on International Trade Law (UNCITRAL) Model Law. According to the Code of Civil Procedure, not all disputes may be resolved through arbitration. Disputes regarding rights over real estate situated in the country, alimony, or individual labor disputes may only be heard by the courts. In addition, under the Code of Private International Law of 2005, Bulgarian courts have exclusive competence over industrial property disputes regarding patents issued in Bulgaria. Regarding arbitration clauses that select a foreign court of arbitration, the Code of Civil Procedure mandates that these clauses are only valid if at least one of the parties maintains its residence abroad. As a result, foreign-owned, Bulgarian-registered companies having a dispute with a Bulgarian entity can only have arbitration in Bulgaria. However, under the Law on International Commercial Arbitration, the arbitrator could be a foreign person. Under the same act, the parties can agree on the language to be used in the arbitration proceedings. Arbitral awards, both foreign and domestic, are enforced through the judicial system. The party must petition the Sofia City Court for a writ of execution. Having obtained a writ, however, the creditor then must execute the award using the general framework for execution of judgments in the country. Foreclosure proceedings may also be initiated.

Bulgaria is a member of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards and the 1961 European Convention on International Commercial Arbitration. Bulgaria is also a signatory of the 1996 Convention on the Settlement of Investment Disputes between States and Nationals of Other States.

Mediation

Mediation was first introduced in Bulgaria in 2004 with the adoption of the Mediation Act. The Bulgarian Chamber of Commerce and Industry and the American Chamber of Commerce (AmCham) opened commercial mediation centers with USAID-trained mediators. Several other mediation centers continue to operate and train new mediators. Mediation, however, is still not widely used due to limited public awareness and judges' reluctance to recommend alternative dispute resolution.

Performance Requirements and Incentives

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Bulgaria does not impose export performance or local content requirements as a condition for establishing, maintaining, or expanding an investment. Employment visas and work permits are required for most expatriate personnel from non-EU countries. Permanent residence permits are often difficult to obtain. Private companies cannot exceed a 1:10 ratio of non-EU residents to Bulgarian employees. The law regulating gambling imposes other requirements for non-EU investors for organizing games of chance, including foreigners having to obtain an operating license.

The Invest Bulgaria Agency (IBA), the government's investment coordinating body, provides information, administrative services, and incentive assessments to prospective foreign investors. Foreign investments over BGN 20 million (USD 13.7 million) are deemed to be priority "Class A" investment projects. At the request of investors receiving Class A investment certificates, IBA can recommend that the competent authorities grant them free real estate (either state or municipal property). Class A investments are also eligible to apply for state financing for critical infrastructure deemed necessary for the investment plan's implementation. Additionally, IBA represents "Class B" investment projects (over BGN 10 million, or USD 6.8 million) before government authorities, and assists with processing all administrative documents. The government policy for investment promotion is not applicable to investments in coal mining, steel production, shipbuilding, synthetic production, agriculture, and fisheries. In addition, the Investment Promotion Act gives Class A or Class B status to certain investments in high-technology manufacturing and services and in regions with an unemployment rate equal to or higher than the country average. A two-year valued-added tax (VAT) exemption on equipment imports applies to investment projects over EUR 5 million (USD 6.7 million), provided that the project will be implemented over the two-year period and creates at least 50 new jobs.

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Right to Private Ownership and Establishment

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Article 19 of the Constitution states that the Bulgarian economy "shall be based on free economic initiative." Private entities, both foreign and domestic, can establish and own business enterprises engaging in any profit-making activities not expressly prohibited by law. Bulgaria's Commercial Code guarantees and regulates, for both foreign and domestic entities, the free establishment, acquisition, and disposition of private business enterprises. Competitive equality is the standard applied to private enterprises in competition with public enterprises.

Protection of Property Rights

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Bulgarian law protects the acquisition and disposition of property rights. The Bulgarian legal system protects and facilitates acquisition and disposition of all property rights, such as land, buildings, and mortgages.

Although Bulgarian intellectual property rights (IPR) legislation is generally adequate - and in some cases stronger than in other EU countries - industry representatives believe effective IPR protection requires stronger enforcement, including stricter penalties for offenders. The Law on Copyright and Related Rights, the Law on Patents and Registration of Utility Models, the Law on Marks and Geographical Indications, the Law on Industrial Design, and the Penal Code were all harmonized with international standards in 2006. Bulgaria is a member of the World Intellectual Property Organization (WIPO) and a signatory to key international agreements, including WIPO Internet treaties and the TRIPS Agreement.

Recognizing Bulgaria's IPR improvements, the United State Trade Representative (USTR) removed Bulgaria from the Special 301 Watch List in April 2006. Although the sale of pirated optical disc media is diminishing, internet piracy is the greatest challenge for the Bulgarian government and rights holders, maintaining levels close to 100 percent. The software piracy rate for end-users and businesses was 65 percent in 2010, according to the Business Software Alliance. The Bulgarian legal system has not kept pace with new internet-based technologies. As a result, Bulgarian courts have never successfully prosecuted internet pirates.

Copyrights

The 1993 Law on Copyright and Related Rights protects literary, artistic, and scientific works. Article 3 provides a full listing of protected works including computer programs (which are protected as literary works). The use of protected works is prohibited without the author's permission, except in certain instances. Since 2000 the law has undergone major revisions to comply with EU and international legislation, including major changes in March 2011 which introduced government arbitration for contract negotiations between rights users and rights collection societies.

For films and other audio-visual works, copyrights are protected during the lives of the director, screenplay-writer, cameraman, or author of dialogue or music (if the music was created for the film) plus 70 years. The term of protection for other copyrighted works is 50 years. However, Bulgarian law limits the duration of contracts on the use of copyrighted works to no more than ten years. Rights owners may file civil claims to terminate infringing activity and seek confiscation of equipment and pirated materials. The Copyright Office in the Ministry of Culture is responsible for copyright and related rights matters in Bulgaria. Bulgarian legislation provides for criminal, civil, and administrative remedies against copyright and related rights violation, but because of the small number of court judgments, administrative remedies enforced, and sentences, law enforcement is still inadequate.

Rights holders' representatives in Bulgaria have reached agreements with radio stations to cover 2010 and prior years, but agreement for 2011 and beyond is still under discussion. Some Bulgarian television stations have failed to renew their licensing agreements with rights holders that expired in 2010.

Patents

Bulgarian patent law has been harmonized with EU law for patents and patent protection. Patent protection is generally adequate but there are reports of conflicts of interest and delays in decision-making and informing patent holders. Bulgaria joined the Convention on Granting of European Patents (European Patent Convention) in 2002. Bulgaria is a contracting state of the European Patent Office (EPO), whereby a patent recognized by the European Patent Convention must immediately take effect in Bulgaria after validation, which includes a process of translation of the entire patent documentation into Bulgarian and payment of a fee (starting from BGN 130 or USD 88) within three months of the day the EPO issues the patent. Bulgaria has also signed the London agreement for facilitating the validation process, which allows rights holders to submit only a translation of the patent claim and not of the whole patent. But, Bulgarian law has still not been amended to correspond to this agreement. Bulgaria is also part of the Patent Cooperation Treaty (PCT). Bulgaria grants the right to exclusive use of inventions for 20 years from the date of patent application, subject to payment of annual fees, which range from BGN 50 (USD 33.70) to BGN 1,500 (USD 1,010), depending on the time remaining before the patent expires. Innovations can also be protected as utility models ("small inventions"). The term of validity of a utility model registration is four years from the date of filing with the Patent Office. It may be extended by two consecutive three-year periods, but the total term of validity may not exceed 10 years.

Inventions eligible for patent protection must be new, involve an inventive step, and be capable of industrial application. Article 6 of the Law on Patent and Utility Model Registration lists items not regarded as inventions and Article 7 lists the exceptions to patentability. With regard to utility models, no registration is granted for methods and objects in the field of biotechnology. There is no accessible database for the registered and valid patents and utility models in Bulgaria.

Located in the Ministry of Economy, Energy, and Tourism, the Patent Office is the competent authority with respect to industrial property rights (including patent matters). The patent law describes patent application procedures and the examination process.

Patent applications are submitted directly to the Patent Office and recorded in the state register. Compulsory licensing (allowing competitors in the market despite a valid patent) may be ordered under certain conditions: if the patent has not been used within four years of filing the patent application or within three years from the date of issue, the patent holder is unable to offer justification for not adequately supplying the national market, or declaration of a national emergency. Disputes arising from the creation, protection, or use of inventions and utility models can be heard and settled under administrative, civil, or arbitration procedures. Disputes are reviewed by specialized panels convened by the President of the Patent Office and may be appealed to the Sofia Administrative Court within three months of the panel's decision. The Customs Office conducts border seizures when there is reason to believe that the goods are infringing either a patent, a supplementary protection certificate (SPC), or a registered utility model. The regime is in compliance with Regulation 1383/2003/EC.

Pursuant to the 1996 Protection of New Plant Varieties and Animal Breeds Act, the Patent Office can issue a certificate which protects new plant varieties and animal breeds for between 25 and 30 years. In 1998, Parliament ratified the 1991 International Convention for the Protection of New Varieties of Plants. In addition, all new types of plants registered by the EU's Community Plant Variety Office are considered effective in Bulgaria.

Data Exclusivity

Responding to long-standing industry concerns, the Bulgarian government included a provision to provide data exclusivity (protection of confidential data submitted to the government to obtain approval to market pharmaceutical products) in its Drug Law. Bulgaria grants supplemental protection certificates for pharmaceutical products and plant protection products under EU regulations. This protection is similar to that provided in the U.S.

Trademarks

In 1999, Parliament passed a series of laws on trademarks and geographical indications, industrial designs, and integrated circuits in accordance with TRIPs (WTO's Trade Related Aspects of Intellectual Property) requirements and the EU Association Agreement. The Trademarks and Geographical Indications Act (TGIA), as amended in 2005 and 2006 to comply with EU standards, regulates the establishment, use, suspension, renewal, and protection of trademarks, collective and certificate marks, and geographic indications.

The right for marks (trademarks, service marks, and collective and certificate marks) is acquired through registration and is valid from the date of filing the application. The right of registration belongs to the first applicant. Co-ownership of marks is allowed. With amendments to the TGIA that entered into force in March 2011, all applications which comply with the basic requirements of the law are published. Interested parties then have three months from the date the application is published in the national gazette to file an objection.

Bulgaria is a member of the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration.

Right of priority with respect to trademarks that do not differ substantially is given to the application that was filed in compliance with Article 32 of the TGIA. Right of priority is also established on the basis of a request made in one of the member countries of the Paris Convention for the Protection of Industrial Property or of the World Trade Organization. To exercise the right of priority, the applicant must file a request within six months of the date the other party files.

A trademark is normally granted within eighteen months of filing a complete application. Refusals can be appealed to the Disputes Department of the Patent Office. Decisions of this department can be appealed to the Sofia Administrative Court within three months of the decision. The right of exclusive use of a trademark is granted for ten years from the date of submitting the application. Extension requests must be filed during the final year of validity and can be renewed up to six months after its expiration. Protection is terminated if a trademark is not used for a five-year period.

Trademark infringement is a significant problem in Bulgaria for U.S. cigarette and apparel producers, and smaller scale infringement affects other U.S. brands. Bulgarian legislation provides for criminal, civil, and administrative remedies against trademark violation. Civil legal infringement actions may be conducted, including seizure and destruction of the infringing products and compensation for damages. The claimant may request compensation ranging from BGN 500 to BGN 100,000 (USD 345 and USD 69,000). In addition, the claimant may request possession of the infringing articles and compensation for expenses incurred in destroying the articles. All civil actions are heard by Sofia City Court.

Bulgaria has no simplified border control procedure for the destruction of seized fake goods without civil or criminal trial.

The TGIA imposes a fine of BGN 500 (USD 345) to BGN 1,500 (USD 1,035) on any physical person who is selling goods or services that bear a sign that is identical or similar to a registered mark without the proprietor's consent. Legal entities are fined between BGN 1,000 (USD 690) and BGN 3,000 (USD 2,070). The fine for repeated offenses is between BGN 1,500 (USD 1,035) and BGN 3,000 (USD 2,070) for physical persons and between BGN 3,000 (USD 2,070) and BGN 5,000 (USD 3,450) for legal entities. The Criminal Code prohibits use of a third person's trademark without the proprietor's consent, punishable by imprisonment of up to five years and a fine of up to BGN 5,000 (USD 3,450). If the act is repeated or significant damages result, the punishment can be extended up to eight years of imprisonment and a fine between BGN 5,000 to BGN 8,000 (USD 5,517). In practice criminal court rulings are rare and sentencing is lenient.

In Bulgaria, trademarks, service-marks, and rights to geographic indications are only protected pursuant to registration with the Bulgarian Patent Office or an international registration (under the Madrid Agreement and the Madrid protocol) designating Bulgaria; they do not arise simply with "use in commerce" of the mark or indication. Legal entities cannot be held liable under the Criminal Code. Criminal penalties for copyright infringement and willful trademark infringement are limited compared to enforcement mechanisms available under U.S. law.

Industrial Designs

Under Bulgarian law, industrial designs which are new and original can be granted certificates from the Patent Office and entered in the state register. The term of protection is 10 years, renewable up to 25 years. Bulgaria is a contracting state of The Hague Agreement Concerning the International Deposit of Industrial Designs. With respect to third parties, an international registration shall have effect in Bulgaria as of the date of expiration of the six-month period under Article 8 (1) of the Hague Agreement. Enforcement of industrial design is similar to trademarks enforcement.

Transparency of Regulatory System

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Regulatory Environment

In general, the regulatory environment in Bulgaria is characterized by complex regulations, lack of transparency, and arbitrary or weak enforcement. These factors create incentives for public corruption and, as a result, foreign investors may experience a cumbersome investment climate.

Bulgarian law defines 41 operations that must be licensed and includes registration and permit regimes. The law requires all regulations to be justified by defined need (in terms of national security, environmental protection, or personal and material rights of citizens), and prohibits restrictions incidental to the stated purposes of the regulation. The law also requires that the regulating authority perform a cost-benefit analysis of any proposed regulation. In addition, the law eliminates bureaucratic discretion in granting requests for routine economic activities, and provides for "silent consent" when the government does not respond to a request in the allotted time. While the law creates a ground-breaking normative framework, implementation and consistent enforcement are still lacking. Local companies in which foreign partners have controlling interests may be requested to provide additional information or meet mandatory requirements in order to engage in certain licensed activities including production and export of arms and ammunition; banking and insurance; and exploration, development, and exploitation of natural resources.

Major Taxation Issues Affecting U.S. Businesses

Bulgaria has one of the lowest tax rates in the EU with a flat 10-percent tax on corporate and individual income. Certain tax incentives, such as an exemption from corporate taxes, apply in regions of high unemployment. To simplify tax calculations for small enterprises, physical persons in certain small-scale industries – usually companies with turnover less than BGN 50,000 (USD 34,500) annually -- such as craftsmen, tradesmen, and small hotel owners pay a "presumptive tax" (in lieu of the 10 percent tax), according to a schedule established by Parliament. The amount of the "presumptive tax" is determined by and payable to municipal authorities.

Dividends (and liquidation quotas) distributed by a Bulgarian resident company to non-EU investors are subject to a withholding tax of 5 percent. There is zero tax rate on all capital gains earned on the regulated market. An annual 30-percent depreciation rate is applied to investment in new machinery and other equipment, and an annual 50-percent depreciation rate is applied on computer hardware and computer software.

The Treaty for Avoidance of Double Taxation (TADT) between the United States and Bulgaria (2007) applies only to direct taxes and excludes indirect levies, such as value-added and excise taxes and social contributions (pension, health, and unemployment funds). It also applies to all sources of income that residents of either state have received "at source" in the other state. The TADT is designed to reduce the tax burden for residents of both states and to stimulate cross-border trade and investment. Foreign employees are required to have the same insurance and unemployment compensation packages as Bulgarian employees. Employers must pay 60 percent of all social security and health fund contributions. Employers must contribute 13 and 4.8 percent of employees' gross wages for social security and health insurance respectively. Employers must also pay 0.6 percent of an employee's wages to an unemployment fund. Companies contribute one percent of gross wages to a workers' compensation fund. The monthly maximum for social contributions is BGN 2,000 (USD 1,370). Bulgaria has a 20 percent single-rate value-added tax (VAT). For certain tourist services VAT is levied at nine percent. VAT registration is mandatory for companies with turnover exceeding BGN 50,000 (USD 34,250) annually. Bulgaria has adopted the EU rules for applying VAT on goods and services traded between Bulgaria and the other EU member states.

Except as noted above, all goods and services are subject to VAT except exports, international transport, and precious metals supplied to the central bank. For specific purposes, deliveries relating to certain health, social, culture, religion, sports, and financial projects can be exempt from the VAT. VAT payments are generally refunded when goods are re-sold. Exporters may claim VAT refunds within a 30-day period. Excise taxes are levied on tobacco, alcoholic beverages, fuels, certain types of automobiles, and gambling proceeds. Investors are entitled to VAT refunds on locally-purchased goods within 30 days if they meet certain investment criteria. Foreign investors have asserted that widespread tax evasion, combined with weak enforcement, places them at a disadvantage. Another problem underscored by investors is frequent revision of tax laws, sometimes without sufficient notice.

Energy Regulation

The Energy Law establishes a predictable regulatory environment in the energy sector where the key regulatory responsibilities are vested with the State Water and Energy Regulatory Commission (SWERC) - an independent body. In mid-2007, the electricity distribution market in Bulgaria was liberalized to comply with EU energy legislation. Despite the liberalization, in practice there is only one power supplier for any given region of Bulgaria and the price of electricity is regulated by SWERC. The 2011 Renewable Energy Law mandates a process for selecting power projects for connection to the electricity grid and gives producers of renewable energy a predictable rate of return on their investments.

Competition Policy

The 2008 Law on the Protection of Competition (the "Competition Law") is intended to implement EU rules which promote competition and consumer protection. The Competition Law forbids monopolies, restrictive trade practices, abuse of market power, and unfair competition. Companies are prohibited from: direct or indirect abusive pricing practices, distribution of market shares and supply sources; limiting manufacturing development to the detriment of consumers, discriminatory treatment of

competing customers, tying contracts to additional and unrelated obligations, and use of economic coercion to cause mergers. The law prohibits certain forms of unfair competition: damaging competitors' goodwill; misrepresentation with respect to goods or services; misrepresentation with respect to the origin, manufacturer, or other features of goods or services; use or disclosure of someone else's trade secrets in violation of good faith commercial practices; and "unfair solicitation of customers" (promotion through gifts and lotteries). Monopolies can only be legally established for certain categories of activities: railway and postal services, atomic energy, production of radioactive materials, and weapons production. The Competition Commission defines market concentration of 15 percent or more as potentially damaging to competition. It also defines market concentration of 25 percent or more as potentially damaging to competition if the companies involved are operating in different markets (and are not competitors).

Efficient Capital Markets and Portfolio Investment

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Since 1997, the Bulgarian Stock Exchange (BSE) has operated under a license from the Securities and Stock Exchange Commission (SSEC). The 1999 Law on Public Offering of Securities regulates the issuance of securities, securities transactions, stock exchanges, and investment intermediaries. The 2002 comprehensive amendments to this law establish significant rights for minority shareholders of publicly-owned companies in Bulgaria. In addition, they create an important foundation for the adoption of international best practices for corporate governance principles in public companies. The BSE's infrastructure has substantially improved in recent years, including the establishment of an official index (SOFIX), an internet-based trading system, and a growing number of brokers. Investors access the BSE to trade corporate stock, government bonds, corporate bonds, Bulgarian Depositary Receipts, municipal bonds, and mortgage-backed bonds. The stock exchange operates three other indexes in addition to the official SOFIX: BG40, BG TR30, and BGREIT.

Total market capitalization amounted to BGN 10.8 billion (USD 7.3 billion) in 2010, a decrease of 8.8 percent compared to 2009. In 2010, total turnover was BGN 683 million (USD 464.6 million), nearly unchanged from BGN 683.8 million in 2009. In December 2011, BSE's turnover received a significant boost from the sale of the 33-percent government minority stake in one of the three regional electricity distributors, which sold for BGN 94 million. The majority of BSE's equity is owned by the Ministry of Finance (50.05 percent) and by investment intermediaries and commercial banks (33 percent). The remaining BSE capital is allocated among other local and foreign legal entities, natural persons, and institutional investors.

The Banking System

The Bulgarian banking system has undergone considerable transformation since its virtual collapse in 1996 and now demonstrates both high predictability and client and investor confidence. There are 31 commercial banks (24 subsidiaries and 7 branches), with total assets of BGN 73.7 billion (USD 50.1 billion). Approximately 55 percent of bank assets are concentrated in the top five banks: Bulbank, DSK Bank, United Bulgarian Bank (UBB), Eurobank EFG Bulgaria, and Raiffeisen.

In 2003, Bulgaria completed the privatization of its state-owned banks, attracting some strong foreign banks as strategic investors. Foreign investors drawn to the Bulgarian banking industry include UniCredito Italiano SpA (UCI), BNP PARIBAS, KBC, National Bank of Greece, Societe Generale, Raiffeisen International, OTP Group, and Citibank. Bulgaria's banking system is highly capitalized. The average capital adequacy ratio (capital base to risk-weighted credit exposures) for the banking system has steadily declined from 43 percent in 1998 to 17.5 percent in 2010, but still remains above the Bulgarian National Bank's requirement of 12 percent. Domestic banks have responded to the global financial crisis by reducing risk exposure through increased interest rates on both deposits and loans. Non-performing loans (those over 90 days overdue) were 12 percent of banks' total loan portfolios in 2010. The rate of bad loans increased to over 15 percent in 2011.

Government Securities

The Bulgarian government finances some of its expenditures by issuing bonds in capital markets. Commercial banks are the primary purchasers of these instruments. EU-based banks are eligible to be primary dealers of Bulgarian government bonds. In order to acquire Bulgarian government bonds, a foreign bank must register with the Ministry of Finance and open a "custody account" in Bulgarian Leva. The Investment Promotion Act defines securities, including treasury bills, with maturities over six months as investments. Repatriation of profits is possible after presenting documentation that taxes have been paid.

Competition from State Owned Enterprises

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Upon EU accession, Bulgaria was recognized as a fully operating market economy, in which the majority of the companies are private. The state's monopoly in railway infrastructure is among the few exceptions.

Corporate Social Responsibility

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There is a growing awareness of corporate social responsibility among both producers and consumers, but it is not always clear that expectations are as high for domestic firms as for foreign investors.

Political Violence

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There have been no incidents in recent years involving politically-motivated damage to projects or installations. Rather, violence in Bulgaria is primarily criminal in nature.

Corruption

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Corruption continues to be one of the most difficult problems in Bulgaria's investment climate. Numerous high-profile anti-smuggling operations have generally had a deterrent effect on contraband, but well-established human trafficking, narcotics, and contraband

smuggling channels that contribute to corruption in Bulgaria still exist. Law enforcement capacity remains limited and the authorities opt for easy-to-prove, low-level corruption cases. As a result, progress on cases of high public interest, involving alleged siphoning of millions from the state coffers, such as the public procurement for big energy infrastructure projects, have not generally been pursued.

The Prosecution service, the State Agency for National Security, and the Ministry of Interior are the primary institutions responsible for combating corruption. A new government analytical center for curbing corruption (BORCOR) was set up in 2011 but is not yet fully staffed and operational. Bulgaria has laws, regulations, and penalties to combat corruption effectively, but internal oversight within institutions is often weak. Bribery is a criminal act under Bulgarian law for both the giver and the receiver. Individuals who mediate and facilitate a bribe are also held accountable. Penalties range from one to fifteen years imprisonment along with possible confiscation of property depending on the circumstances and seriousness of the case. In the most egregious cases, the Penal Code calls for prison terms of 10 to 30 years. Bribing a foreign official is also a criminal act. The government does not require companies to establish internal codes of conduct nor compliance programs to detect and prevent bribery.

Bulgaria has an NGO sector that monitors corruption and organized crime, including a local chapter of Transparency International (TI). Bulgaria ranks 86th of 183 countries in TI's Corruption Perception Index for 2011, down 13 places from 2010.

In 1998, Bulgaria was one of the first non-OECD nations to ratify the OECD Anti-Bribery Convention. Bulgaria has also ratified the Council of Europe's Convention on Laundering, Search, Seizure, and Confiscation of Proceeds of Crime (1994) and Civil Convention on Corruption (1999). Bulgaria has signed and ratified the UN Convention against Corruption (2003); the Additional Protocol to the Council of Europe's Criminal Law Convention on Corruption; and the UN Convention against Transnational Organized Crime.

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/>

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. Generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. Bulgaria is a party to the OECD Convention.

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. Bulgaria is a party to the UN Convention.]

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of

corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>)

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco.) Bulgaria is a party to the Council of Europe Conventions.

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center “Report A Trade Barrier” Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/departement/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>.
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See <http://info.worldbank.org/governance/wgi/index.asp>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=global+enabling+trade+report>.
- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

Bilateral Investment Agreements

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Bulgaria is a signatory to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States and the Agreement Establishing the World Trade Organization.

Bulgaria has a Bilateral Investment Treaty (BIT) with the United States, which guarantees national treatment for U.S. investments and creates a dispute settlement process. The BIT also includes a side letter on protections for intellectual property rights. The Governments of Bulgaria and the United States exchanged notes in 2003 to make Bulgaria's obligations under the BIT compatible with its EU obligations, and finalized the process in January 2007.

As of 2011, Bulgaria has bilateral investment treaties signed with the United States and the following countries: Albania, Algeria, Argentina, Armenia, Austria, Bahrain, Belarus, Belgium, China, Croatia, Cuba, Cyprus, Czech Republic, Denmark, Egypt, Finland, France, Georgia, Germany, Greece, Hungary, India, Indonesia, Iran, Israel, Italy, Jordan, Kazakhstan, Kuwait, Latvia, Lebanon, Libya, Lithuania, Luxembourg, Macedonia, Malta, Moldova, Mongolia, Montenegro, Morocco, Poland, Portugal, Qatar, Romania, Russia, Serbia, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Syria, Thailand, The Netherlands, Tunisia, Turkey, Ukraine, United Kingdom, Uzbekistan, Vietnam, and Yemen.

As of 2011, Bulgaria has signed bilateral double taxation treaties with the United States and the following countries: Albania, Algeria, Armenia, Austria, Azerbaijan, Bahrain

Belarus, Belgium, Canada, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, India, Indonesia, Iran, Ireland, Israel, Italy, Japan, Jordan, Kazakhstan, Kuwait, Latvia, Lebanon, Lithuania, Luxembourg, Macedonia, Malta, Moldova, Mongolia, Montenegro, Morocco, North Korea, Norway, Poland, Portugal, Qatar, Romania, Russia, Serbia, Singapore, Slovakia, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Syria, Thailand, The Netherlands Turkey, Ukraine, United Arab Emirates, United Kingdom, Uzbekistan, Vietnam, and Zimbabwe.

OPIC and Other Investment Insurance Programs

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In 1991, the Overseas Private Investment Corporation (OPIC) and the Bulgarian government signed an Investment Incentive Agreement, which governs OPIC's operations in Bulgaria. OPIC provides medium- to long-term funding through direct loans and loan guarantees to eligible investment projects in developing countries and emerging markets. OPIC also supports a number of privately owned and managed equity funds, including a regional fund for Southeast Europe created in 2005 for investments in companies in Bulgaria and other Balkan countries. OPIC's Small- and Medium-Size Financing is available for businesses with annual revenues under USD 250 million. OPIC's structured financing focuses on U.S. businesses with annual revenue over USD 250 million and supports large capital-intensive projects such as infrastructure, telecommunications, power, water, housing, airports, technology, and financial services.

OPIC offers American investors insurance against currency inconvertibility, expropriation, and political violence. Political risk insurance is also available from the Multilateral Investment Guarantee Agency (MIGA), which is a World Bank affiliate, as well as from a number of private U.S. companies.

Bulgaria is a signatory to the Convention Establishing the Multilateral Investment Guarantee Agency.

Labor

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Bulgaria's workforce officially consists of 3,361,300 (third quarter 2011) men (52.7 percent) and women (47.3 percent), many of whom are skilled in sciences, information technology, customer service, and foreign languages. The official adult literacy rate in Bulgaria is 98.3 percent. A high percentage of the workforce has completed some form of secondary, technical, or vocational education. Many Bulgarians have strong backgrounds in engineering, medicine, economics, and the sciences, but there is a shortage of professionals with Western management skills. The demand for skilled managers is increasing with an influx of high technology, innovative, and knowledge-based companies from the EU. The aptitude of workers, the relatively good number of those who speak English, and the relative low cost of labor are considerable incentives for foreign companies, especially those that are labor-intensive, to invest in Bulgaria. The Bulgarian Constitution recognizes workers' rights to join trade unions and organize. The National Council for Tripartite Cooperation (NCTC) provides a forum for dialog among government, employer organizations, and trade unions on issues such as cost-

of-living adjustments. An established practice of negotiating the so-called “social security thresholds” between trade unions and the employers organizations each year helps determine the formula for calculating the relative amount of employer and employee social security contributions.

Bulgaria has two large trade union confederations represented at the national level, the Confederation of Independent Trade Unions of Bulgaria (CITUB) and the Confederation of Labor “Podkrepa” (“Support”). As of 2010, estimated trade union membership was 390,000 for CITUB and over 120,000 for Podkrepa.

There are very few restrictions on trade union activity, but employees in smaller private firms are often not represented by trade unions. In addition, there are six nationally recognized employer organizations currently in Bulgaria which target different industry and company membership.

Under the Bulgarian Labor Code, employer-employee relations are regulated by employment contracts. The framework of the employment contracts can be shaped through collective bargaining. Collective labor contracts can be concluded at the sectoral level, enterprise level, and municipal level. The labor code addresses worker occupational safety and health issues, mandates a minimum wage (determined by the Council of Ministers), and prevents exploitation of workers, including child labor. The labor code clearly delineates employer rights. Disputes between labor and management can be referred to the courts, but resolution is often subject to delays. Neither foreign companies nor majority foreign-owned Bulgarian companies are exempt from the requirements of the labor code.

Over the last ten years, the labor code has been amended to address labor market rigidities and bring labor legislation into compliance with EU requirements. In 2008, the Parliament passed changes in the labor legislation to increase fines to BGN 15,000 (USD 10,100) for labor code violations. The minimum annual paid leave is 20 days, but could be set higher by a collective labor agreement. The minimum wage is BGN 270 (USD 186.2) per month.

The National Institute for Conciliation and Arbitration (NICA) developed a framework for collective labor dispute mediation and arbitration. NICA includes representatives from labor, employers, and government. NICA-sponsored collective labor dispute resolutions are still few in number. Several of the appointed mediators received basic mediation skills training from the U.S. Federal Mediation and Conciliation Service. There are 31 appointed mediators and 30 arbiters, proposed by social partners and approved by NICA’s Supervisory Board.

Foreign-Trade Zones/Free Ports

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There are six duty-free zones in Bulgaria: Ruse and Vidin ports on the Danube; Plovdiv; Svilengrad (near the Turkish border); Dragoman (near the Serbian border); and Burgas port on the Black Sea. They are all managed by joint stock or state-owned companies. The government provided land and infrastructure for each zone.

Foreign individuals and corporations, and Bulgarian companies with one percent or more foreign ownership may operate in a duty-free zone. Thus, foreign-owned firms have

equal or better investment opportunities in the zones compared to Bulgarian firms. All forms of legal economic activity are permissible in duty-free zones. Foreign, non-EU goods delivered to the duty free zones for production, storage, processing, or re-export are VAT and duty exempt. Bulgarian goods may also be stored in duty free zones with permission from the customs authorities. With Bulgaria in the EU, the duty-free zones no longer apply tax and duty exemptions to exports from Bulgaria to other EU countries. EU integration has encouraged regional authorities to attract outside investors to spur local economic development. In partnership with the private sector, they provide resources (land, infrastructure, etc.) for the development of industrial zones and technological parks, which are different from duty-free zones in that they do not provide for any form of preferential tax treatment. Bulgaria has 14 industrial zones, hosting both local and foreign investors operating there. There are 21 other zones with infrastructure ready for new investors and about 27 industrial zones are under development. Investors can get more detailed information from the web site of the government Investment Agency at: <http://www.investbg.government.bg/industrialzonescatalog/> The government has established a National Industrial Zones Company to support the establishment of industrial zones and technological parks and enable a stable FDI inflow.

Foreign Direct Investment Statistics

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Total FDI in Bulgaria

Year in millions USD

1992	34.4
1993	102.4
1994	210.9
1995	162.6
1996	256.4
1997	636.2
1998	620.0
1999	818.8
2000	1,005.0
2001	812.9
2002	969.7
2003	2,099.0
2004	3,443.4
2005	3,916.0
2006	7,799.0
2007	11,756.0
2008	8,932.0
2009	4,720.0
2010	2,387.0

Total since 1992 50,681.70

(Sources: Bulgarian National Bank; Invest Bulgaria Agency)

FDI by Country of Origin (1996-2010)

Country, in millions EUR

Netherlands	5,746
Austria	5,202.8
Greece	3,773.4

Germany	3,270.7
U.K.	2,943
Cyprus	2,219.4
Hungary	1,364.6
Spain	1,339.5
Russia	1,315.6
France	1,297.6
USA*	1,283.5
Italy	1,235.2
Czech Republic	1,125.6
Switzerland	1,050.2
Ireland	874.9
Belgium**	828.7
Turkey	453.0
Israel	298.4
Denmark	290.8
Romania	207.1
Malta	184.7
Sweden	175.0
Latvia	168.4
Slovenia	160.8
China	17.4

(Source: Bulgarian National Bank)

*These figures from the Bulgarian National Bank underestimate the volume of U.S. investment in Bulgaria because they do not account for investment by U.S. firms through their European subsidiaries.

**Since 2006

FDI by industry (1998-2010)

Industry, in millions EUR

Real Estate, Rent and Real Estate Services	8,406.9
Financial services	7,516.3
Trade and repairs	6,489
Manufacturing	6,474.6
Construction	2,672.4
Electricity, gas, and water	2,501.6
Telecommunications and transport	1,968.4
Hotels and restaurants	660
Mining	232.4
Agriculture, forestry, and fishing	216
Education	14.6

(Source: Bulgarian National Bank)

Major Foreign Direct Investments (2004-2011)

Investor/Description	Country	USD millions
AES Thermal Plant at Maritza Istok	U.S.	2,049
TL Property Company, Sofia Airport Center	U.S.	489
IWC Wind Farm at Lozenets (near Dobrich)	Germany	411

Contour Global Thermal Plant Maritza Istok	U.S.	300
Consortium Wind Energy in Shabla	Austria	405.5
Sisecam Group Flat Glass Factory	Turkey	366.7
Italchementi Reconstruction and Modernization at Devnya Cement Plant	Italy	362
Cumerio Copper Refinery and Smelter Expansion	Belgium	263
Carrefour in Sofia	France	160

(Source: Invest Bulgaria Agency)

Bulgarian Investment Abroad by Country of Investment (1999-2010)
Country in millions USD

Italy	167.8
Romania	122.8
Turkey	81
Macedonia	72.2
Serbia	65.5
USA	53.2
Greece	52.3
Malta	43.4
Austria	43.3
UK	42.5
Russia	39.3
Cyprus	34.7
Ukraine	32.9
Spain	15.7

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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As with any international transactions, the method of payment is determined by the degree of trust in the buyer's ability and willingness to pay. Full payment in advance is recommended for the first delivery and when the importer is still unknown.

Most commonly used payment mechanisms are available to facilitate international transactions.

U.S. EXIM Bank provides insurance policies and long-term guarantees to U.S. exporters to allow more flexible payment terms. For more information, please visit <http://www.exim.gov>

How Does the Banking System Operate

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Development of services for consumers, such as credit cards and e-banking, was boosted within the last couple of years, while personal checks are almost unknown and unused as a method of payment for locals. The number of POS terminals in the country and the share of the non-cash transactions grew significantly in the past years.

The Bulgarian National Bank (BNB) operates independently of the government and reports directly to Parliament. The BNB regulates the banking system, however under the Currency Board Arrangement has no discretion in setting monetary or exchange rate policy. The Bulgarian Currency is exchanged at a fixed rate of Euro against the Bulgarian Lev (1 EUR = 1,95583 BGN).

There are thirty one commercial banks in Bulgaria; twenty-four are fully licensed and authorized to engage in international transactions and seven are branches of foreign banks in Bulgaria. Foreign banking capital is largely predominant on the market. Citibank is the only U.S. bank with an office in Bulgaria.

Foreign-Exchange Controls

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International financial remittances in payment of imports into Bulgaria are generally allowed. Only bank transfer permits the export of hard currency by commercial entities, including juridical persons and sole traders. Transfers for current international payments (imports of goods and services, transportation, interest and principal payments, insurance, training, medical treatment and other purposes defined in Bulgarian regulations) must be supported by documentation such as invoices, certificates, or transport documents, to the transferring bank.

U.S. Banks and Local Correspondent Banks

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Contact information for all Bulgarian banks may be found on the Bulgarian National Bank <http://www.bnb.bg> web site. Some Bulgarian banks may have 100 or more U.S. correspondent banks, and some U.S. banks may have correspondent relations with more than one Bulgarian bank. As banking relationships can change quickly, the best source of current information on correspondent banking arrangements is the banks themselves.

The Business Service Provider is a good place to start when looking for finance and banking services in Bulgaria. Please visit http://export.gov/bulgaria/businessserviceprovidersinbulgaria/eg_bg_031937.asp The AmCham web site <http://www.amcham.bg> is another good resource of information. From the AmCham home page, click on "About us" then "Members list".

Project Financing

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1. U.S.-based financing

The U.S. Export-Import Bank (Eximbank) is a source of export financing and insurance for U.S. transactions in Bulgaria. Eximbank will guarantee a commercial bank loan up to 85% of the value of the contract. Eximbank will also accept guarantees from the larger municipalities. In 2006, Eximbank concluded a Master Guarantee Agreement with the Bulgarian banks UBB and Postbank, therefore Eximbank financing is available in Bulgaria.

The Small Business Administration (SBA) provides financial and business development assistance to encourage and help small U.S. companies in developing export markets. <http://www.sba.gov/>

The Overseas Private Investment Corporation's (OPIC) key programs are its loan guarantees, direct loans, and political risk insurance. <http://www.opic.gov/>

The U.S. Trade and Development Agency (TDA) promotes U.S. exports through funding feasibility studies, technical assistance, training programs, and orientation visits. <http://www.ustda.gov/>

2. Financing from International Institutions

The European Bank for Reconstruction and Development (EBRD), whose largest shareholder is the U.S. Government, has a number of programs available to U.S. investors. The Bank makes loans as well as takes equity stakes in infrastructure projects. The EBRD will increasingly focus on private-sector development in Bulgaria. It also mandates open competitive tenders in procurements, which give U.S. companies opportunities to supply goods and services. For more information, please see <http://www.ebrd.com/>

The World Bank's procurement procedures enable U.S. exporters to bid on public procurement contracts. To date, approved projects are in the energy, telecommunications, residential heating, railways, health, environmental and public administration sectors. For more information on WB program in Bulgaria, please see <http://www.worldbank.bg>

The Multilateral Investment Guarantee Agency (MIGA) is part of the World Bank Group. Its purpose is to encourage foreign investment in developing countries by providing investment guarantees (political risk insurance) against the risk of currency transfer, expropriation, war, civil disturbance and breach of contract by the host government. For more information, please see <http://www.worldbank.org/>

1. EU-based financing

Bulgaria's accession to the EU opened access to project financing in the form of EU structural and cohesion funds. EU financial assistance programs provide a wide array of grants, loans, loan guarantees and co-financing for feasibility studies and infrastructure projects in a number of key sectors (e.g., environmental, transportation, energy, telecommunications, tourism, public health). From a commercial perspective, these initiatives create significant market opportunities for U.S. businesses, U.S.-based suppliers, and subcontractors.

The EU supports projects within its member states, as well as EU-wide "economic integration" projects that cross both internal and external EU borders. See <http://export.gov/europeanunion/grantstendersandfinancing/index.asp> . Seven EU operational programs are available in Bulgaria, supporting projects in the areas of competitiveness, environment, transport, regional development, technical assistance, capacity building, and human capital development.

The European Union provides project financing through grants from the European Commission and loans from the European Investment Bank. Grants from the Structural Funds are distributed through the member states' national and regional authorities.

The CSEU Tenders Database

The U.S. Commercial Service at the U.S. Mission to the European Union offers a tool on its website to help U.S.-based companies identify European public procurement opportunities. The database features all current public procurement tenders issued by all national and regional public authorities in the 27 Member States of the European Union, plus four other European countries, and that are open to U.S.-based firms under the terms of the Government Procurement Agreement (GPA) implemented in 1995. The database is updated twice weekly and is easy to use with a range of search options,

including approximately 20 industry sectors. The database also contains tenders for public procurement contracts relating to structural funds. Readers may access the database at <http://export.gov/europeanunion/grantstendersandfinancing/cseutendersdatabase/index.asp>.

EU Structural Funds

The EU earmarked EUR 308 billion for projects under the Structural Funds and the Cohesion Fund programs for the 2007-2013 period for the EU-27. In addition to funding economic development projects proposed by Member States or local authorities, EU Structural Funds also support specialized projects promoting EU socioeconomic objectives. For information on approved programs that will result in future project proposals, please visit: http://ec.europa.eu/regional_policy/index_en.cfm

For projects financed through the Structural Funds, Bulgarian officials are the key decision-makers. They assess the needs of their country; investigate projects; evaluate bids; and award contracts. To become familiar with available financial support programs in Bulgaria, it is advisable for would-be contractors to meet with local officials to discuss local needs.

Tenders issued by Bulgaria's public contracting authorities for projects supported by EU grants are subject to EU public procurement legislation if they meet the EU minimum contract value requirement for the eligible sector. Below this threshold, tender procedures are subject to national procurement legislation. There are no overt prohibitions against the participation of U.S. companies, either as developers or concessionaires of projects supported partially by the Structural Funds, or as bidders on subsequent public tenders related to such projects, but it is advisable to team up with a local partner. All Structural Fund projects are co-financed by national authorities and most may also qualify for a loan from the European Investment Bank. The private sector is also involved in project financing. For more information on these programs, please see the market research section on the website of the US Mission to the EU: <http://export.gov/europeanunion/marketresearch/index.asp>

The Cohesion Fund

The Cohesion Fund is another instrument of EU structural policy. Its EUR 61.5 billion (2007-2013) budget seeks to improve cohesion within the EU by funding transport infrastructure and environmental projects in Portugal, Spain, Greece and the twelve new (since 2004) EU Member States from Central and Eastern Europe. These projects are generally co-financed by national authorities, the European Investment Bank, and the private sector.

Key Link: http://ec.europa.eu/regional_policy/thefunds/cohesion/index_en.cfm
Loans from the European Investment Bank

Headquartered in Luxembourg, the European Investment Bank (EIB) is the financing arm of the European Union. As a non-profit banking institution, the EIB offers cost-competitive, long-term lending in Europe. Best known for its project financial and economic analysis, the Bank makes loans to both private and public EU-based

borrowers for projects in all sectors of the economy, such as telecommunications, transport, energy infrastructure and environment.

Projects financed by the EIB must contribute to the socioeconomic objectives set out by the European Union, such as fostering the development of less favored regions; improving European transport and telecommunication infrastructure; protecting the environment; supporting the activities of SMEs; assisting urban renewal; and, generally promoting growth, competitiveness and employment in Europe. Last year, the EIB created a list of projects to be considered for approval and posted the list on its website. As such, the EIB website is a source of intelligence on upcoming tenders related to EIB-financed projects: <http://www.eib.org/projects/pipeline/index.htm>

The EIB presents attractive business opportunities to U.S. businesses. EIB lending rates are lower than most other commercial rates. Like all EIB customers, however, U.S. firms must apply the loan proceeds to a project that contributes to the European objectives cited above.

Web Resources

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Export-Import Bank of the United States: <http://www.exim.gov>

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.ustda.gov/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

European Bank for Reconstruction and Development: <http://www.ebrd.bg>

World Bank - <http://www.worldbank.org/>

The European Investment Bank <http://www.eib.org/>

EIB-financed projects: <http://www.eib.org/projects/index.htm?lang=-en>

European Union Tenders Database:

<http://export.gov/europeanunion/grantstendersandfinancing/index.asp>

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Business Customs

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Bulgarians are less formal than Western Europeans from dress to the manner of their business contacts. Meetings, including lunches or dinners, are used as an opportunity to be acquainted and as a basis for developing a relationship of trust. Companies use stand-up evening receptions at hotels, restaurants, congress centers, trade shows, and even museums and auto showrooms for public relations and to solidify business relationships.

One charming but confusing custom is that head movements indicating agreement or disagreement are reversed in Bulgaria. The rocking of the head from left-to-right, often with a slight smile, means "yes" while nodding up-and-down indicates "no." But with foreign language fluency growing, some Bulgarians will use head movements in typical western fashion. Therefore, it is best to clarify the situation by obtaining a verbal response.

Travel Advisory

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Bulgarian law requires all travelers entering or leaving EU through Bulgaria with 10 000 Euros (around USD 14,100) or more in cash to declare the sum to customs in order to comply with Regulation (EC) No 1889/2005 of the European Parliament and the Council applicable from June 15, 2007. This initiative has been taken to assist the efforts being made at EU level to tackle crime and improve security by cracking down on money laundering, terrorism and criminality or travelers' checks declare the money/checks upon arrival to customs officials. Travelers entering Bulgaria at Sofia Airport and carrying currency in excess of the above amount should use the red "Something to Declare" line and not the green "Nothing to Declare" line, even if specifically invited into the green line by a customs official.

Travelers who attempt to leave the country with the equivalent of BGN 25,000 or more must complete a customs declaration on which they must state the origin of the money,

and present a certificate from the Bulgarian regional internal revenue service proving they do not owe taxes, unless the sum is less than the amount originally reported when initially brought into the country. Please contact the Embassy of Bulgaria in Washington, D.C. or one of Bulgaria's consulates in the United States for specific information regarding customs regulations.

American citizens visiting Bulgaria are encouraged to enroll in the Smart Traveler Enrollment Program at travelregistration.state.gov. Enrollment, formerly known as registration with the Embassy, ensures you will obtain updated information on travel and security within Bulgaria. The Embassy's web site address is <http://www.usembassy.bg>

Visitors should exchange cash or travelers checks at banks or exchange bureaus. Some exchange bureaus charge commissions on both cash and travelers check transactions, which may be high or not clearly posted. Damaged or much worn U.S. dollar bank notes are often not accepted at banks or exchange bureaus. Major hotels accept credit cards, but most shops and restaurants do not. ATM cash machines are increasing in numbers in Sofia and other major cities, but bankcards, debit cards and credit cards should be used with caution due to the potential for fraud or other criminal activity. Be wary of skimming devices placed on automated tellers. Only use ATMs inside major institutions such as banks or major malls. Limit your use of credit cards to hotel bills or with other major vendors.

If traveling with pets, you must have a certificate of veterinarian examination carried out within one week before departure, as well as a certificate of rabies shot made during the last six months.

For the latest travel and security information, Americans traveling abroad should regularly monitor the Department's Internet web site at <http://travel.state.gov> Up-to-date information on security can also be obtained by calling 1-888-407-4747 toll free in the United States, or for callers outside the United States and Canada, a regular toll line at 1-317-472-2328. These numbers are available from 8:00 a.m. to 8:00 p.m. Eastern Time, Monday through Friday (except U.S. federal holidays).

Visa Requirements

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A United States passport is required for U.S. citizens who are not also Bulgarian nationals. Bulgarian immigration authorities ask all foreigners to declare the purpose of their visit at the border or upon arrival and to provide their intended address. U.S. citizens who enter the country on regular passports without a Bulgarian visa are authorized to stay for a total of 90 days within a six-month period. Travelers on all types of passports (regular, official or diplomatic) who intend to stay more than 90 days must secure a "D" visa from the Bulgarian Embassy or Consulate. The visa issuance takes about 30 to 40 calendar days. "D" visas may be issued for employment purposes, missionary purposes, or if you are married to a Bulgarian citizen, among other reasons. Travelers using official or diplomatic passports, who intend to stay in Bulgaria for less than 90 days within six months, must secure a Bulgarian visa type "C" from a Bulgarian Embassy or Consulate prior to arrival. As of July 2008, U.S. citizens must apply for a visa at a Bulgarian Embassy/Consulate in the United States or if not residents in the United States, in their country of legal residence. U.S. citizens are also advised that if

their purpose of stay in Bulgaria changes (i.e., work or marriage status), they must leave Bulgaria and apply again for a D-visa.

All foreigners receive an entry stamp in their passports. Foreigners who do not have an entry stamp in their passports will encounter difficulties when they try to leave Bulgaria. When entering Bulgaria by car, if the vehicle has been recorded on the passport, the owner may not leave the country without the automobile. Sometimes vehicles are erroneously recorded on the passport of passengers in the car, who then have problems trying to leave the country without the vehicle.

For further information concerning entry requirements, travelers should contact the Embassy of the Republic of Bulgaria at 1621 22nd St. N.W., Washington, D.C. 20008; <http://www.bulgaria-embassy.org> tel. (202) 483-5885 (main switchboard (202) 387-7969, or the Bulgarian Consulate in New York City.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security options be handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/index.html>

Telecommunications

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Bulgaria has a good telecommunications infrastructure with three mobile providers and is beginning to launch wireless services for business travelers. Two cellular operators offer BlackBerry service. There are numerous Wi-Fi hotspots in Sofia (mainly at the coffee shops, big restaurants, malls, hotel lobbies and at the Airport Sofia).

The dialing code for Bulgaria is 359, followed by the appropriate area code: Sofia (2), Plovdiv (32), Varna (52), Burgas (56), Stara Zagora (42)

Transportation

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Sofia is served by major European airlines including Aeroflot, Aerosvit, Air Malta, Air France, Alitalia, Austrian Airlines, British Airways, Cyprus airlines, Czech Airlines, El Al, LOT, Lufthansa, MALEV, Olympic, Swiss, TAROM, Turkish Airlines and co-sharing with Iberia, Finnair, KLM, TAP and SAS. Many American carriers operate co-shared flights to Sofia – like United/Continental airlines, Delta and American Airlines. Bulgaria Air is also operating international flights as well as domestic service between Sofia, Varna and Burgas. Qatar airways entered the market in 2011 and offered good connection to the Middle and Far East. In addition, most of European low-cost airlines (like Easyjet, Ryanair, Wizzair, Germanwings, Norwegian, Climber, etc.) connect the Bulgarian airports with the rest of Europe.

Car rental from Hertz, Avis, Budget and others are available.

Taxis are affordable. It is advisable to call ahead to a reputable taxi company for radio dispatch for personal security as well as to avoid overcharges.

Language

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Bulgarian is a Slavic language that uses the Cyrillic alphabet. In business, the usage of English is increasing rapidly. Many Bulgarians have some comprehension of the Russian language. German and French are also widely spoken.

Health

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All foreign citizens traveling to Bulgaria may be asked to present valid evidence of health insurance to the Bulgarian border authorities in order to be admitted into the country. The insurance should be valid for the duration of the traveler's stay in Bulgaria. The Department of State strongly urges Americans to consult with their medical insurance company prior to traveling abroad to confirm whether their policy applies overseas and if it will cover emergency expenses such as a medical evacuation. U.S. medical insurance plans seldom cover health costs incurred outside the United States unless supplemental coverage is purchased. Further, U.S. Medicare and Medicaid programs do not provide payment for medical services outside the United States. However, many travel agents and private companies offer insurance plans that will cover health care expenses incurred overseas, including emergency services such as medical evacuations. When making a decision regarding health insurance, Americans should consider that many foreign doctors and hospitals require payment in cash prior to providing service and that a medical evacuation to the United States may cost more than 50,000 U.S. Dollars.

Uninsured travelers who require medical care overseas often face extreme difficulties, whereas travelers who have purchased overseas medical insurance have found it to be life saving when a medical emergency has occurred. When consulting with your insurer prior to your trip, please ascertain whether payment will be made to the overseas healthcare provider or if you will be reimbursed later for expenses that you incur.

Local Time, Business Hours, and Holidays

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(Local Time is EST plus 7 hours.

2012 Holidays in Bulgaria include:

2012 Holidays in Bulgaria include:

January 2	New Year's Day
March 3	National Day (Saturday)
April 13	Orthodox Good Friday
April 14-15	Orthodox Easter (Saturday and Sunday)
April 16	Orthodox Easter Monday
April 30	Non-work Day
May 1	Labor Day

May 6	St. George's Day, Day of Valor and the Bulgarian Army (Sunday)
May 24	Saints Cyril & Methodius Day
May 25	Non-work Day
September 6	Unification Day
September 7	Non-work Day
September 22	Independence Day (Saturday)
December 24	Christmas Eve
December 25	Christmas Day
December 26	Day After Christmas
December 31	Non-work Day

Work Week

Bulgarians work a 40-hour week with businesses opening between 8:30 and 9:00 a.m. Monday through Friday. During the summer months, scheduling meetings late on Fridays may be difficult as workers tend to leave early for weekend getaways. As in the rest of Europe, business activity slows considerably during the latter part of July and most of August when many Bulgarians take their extended summer holidays.

Temporary Entry of Materials and Personal Belongings

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In theory, personal items brought in temporarily by travelers such as laptop computers, software, and exhibition materials should be declared upon arrival. Travelers should declare jewelry, cameras, and other valuables upon arrival in order to avoid difficulties when departing. The declaration form should be presented to Customs upon departure.

Web Resources

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Business travelers to Bulgaria seeking appointment with U.S. Embassy Sofia officials should contact the Commercial Section in advance of departure from the United States. The Commercial Section can be reached by telephone at 359-2-937-5100 and fax at 359-2-937-5320; or e-mail at Office.Sofia@trade.gov. Detailed information on the U.S. Commercial Service Sofia's services and programs are available at: <http://www.buyusa.gov/bulgaria> and <http://www.export.gov>

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Chapter 9: Contacts, Market Research and Trade Events

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Contacts

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U.S. Government Contacts

U.S. Embassy - Sofia	http://sofia.usembassy.gov
U.S. Commercial Service – Sofia	http://www.export.gov/bulgaria
U.S. Department of State	http://www.state.gov
U.S. Department of Commerce	http://www.export.gov
U.S. Department of Agriculture	http://www.usda.gov
U.S. Agency for International Development	http://www.usaid.gov
U.S. Export-Import Bank	http://www.exim.gov
Overseas Private Investment Corporation	http://www.opic.gov
U.S. Trade and Development Agency	http://www.ustda.gov

Trade and Industry Associations

American Chamber of Commerce in Bulgaria

President: Mr. Peter Lithgow
Executive Director: Mr. Valentin Georgiev
Business Park Sofia
Building 2, floor 6
Mladost 4 Area
1715 Sofia
Phone: (359) (2) 974-2743 Fax: (359)(2) 9742 741
E-mail: amcham@amcham.bg Website: <http://www.amcham.bg>

Bulgarian Chamber of Commerce and Industry

President: Mr. Tzvetan Simeonov
9, Iskar Street
1058 Sofia
Phone: (359) (2) 987-2528, 8117-444, 8117-489; Fax: (359) (2) 8117-490
Business Center Directorate – Mrs. Margarita Damyanova - Director
E-mail: interdept@bccci.bg, office@bccci.bg Website: <http://www.bccci.bg/>

Confederation of the Employers and Industrialists in Bulgaria

Chairman: Mr. Ognyan Donev
Executive Director: Mr. Evgenii Ivanov
8, Khan Asparuh Str.
1463 Sofia
Phone: (359) (2) 981-9169 Fax: (359) (2) 988-6776

E-mail: office@ceibg.bg Website: <http://www.ceibg.bg/>

Bulgarian Industrial Association

Chairman: Mr. Sasho Dontchev

Executive President: Mr. Bozhidar Danev

Director, International Organizations and Programs: Mr. Branimir Handjiev

16-20, Alabin Street

1000 Sofia

Phone: (359)(2) 932-0911, 932-0914, 932-0922 Fax: (359)(2) 987-2604

E-mail: office@bia-bg.com; Website: <http://www.bia-bg.com/>

Bulgarian Construction Chamber

Chairman: Mr. Svetoslav Glossov

Executive Director: Mr. Ivan Boykov

6, Mihail Tenev Str.

1784 Sofia

Phone: (359)(2) 806-2910, 806-2911 Fax: (359)(2) 963 2425

E-mail: office@ksb.bg; Website: <http://www.ksb.bg/>

Bulgarian Association for Information Technologies

Chairman: Mr. Theodore Zahov

CEO: Mr. Vessela Kalacheva

36, Dragan Tsankov Blvd., Intepred World Trade Center, Office B339

1040 Sofia

Phone: (359)(2) 946 1513 Fax: (359) (2) 946-1451

E-mail: bait@bait.bg, Website: <http://www.bait.bg/>

Bulgarian Government Contacts

Bulgarian Embassy in Washington, DC <http://www.bulgaria-embassy.org/>

Bulgarian Government <http://www.government.bg/>

InvestBulgaria Agency

Executive Director: Mr. Borislav Stefanov

31, Aksakov Street

1000 Sofia

Phone: (359)(2) 980-0918, 985-5500 Fax: (359)(2) 980-1320

E-mail: iba@investbg.government.bg

Website: <http://www.investbg.government.bg/>

Privatization Agency

Executive Director: Mr. Emil Karanikolov

29, Aksakov Street

1000 Sofia

Phone: (359)(2) 987-7579; 987-3249 Fax: (359)(2) 981-6201, 981-1307

E-mail: press@priv.government.bg

Website: <http://www.priv.government.bg/>

Communications Regulation Commission

Chairperson: Mr. Veselin Bozhkov

6, Gurko St.
1000 Sofia
Phone: (359) (2) 949-2335 Fax: (359) (2) 987-0695
E-mail: info@crc.bg
Website: <http://www.crc.bg/>

Bulgarian Institute for Standardization
Chairperson: Mr. Ivelin Burov
13, Lachezar Stanchev Street, Izgrev
1797 Sofia
Phone: (359)(2) 81 74 523 Fax: (359)(2) 873 55 97
E-mail: standards@bds-bg.org
Website: <http://www.bds-bg.org/>

National Customs Agency
Director General: Mr. Vanyo Tanov
47, G.S. Rakovski Street
1202 Sofia
Phone: (359) (2) 9859-4210, 9859-4213 Fax: (359)(2) 980-4061
E-mail: pr@customs.bg
Website: <http://www.customs.bg/>

Patent and Trademark Office
President: Mr. Kamen Veselinov
52-B, G. M. Dimitrov Blvd.
1040 Sofia
Phone: (359)(2) 873 51 71, 9701 321 Fax: (359)(2) 873-52 58, 870 83 25
E-mail: bpo@bpo.bg
Website: <http://www.bpo.bg/>

Bulgarian Newspapers

TRUD daily
47, Tzarigradsko Shousse Blvd., Sofia 1504
Editor in Chief: Mrs. Svetlana Djamdjeva – (3592) 9214-204
Business News Editor: Mr. Georgi Velikov - (3592) 9214-253
Advertisement and announcements: (3592) 942-2130, (3592) 942-2132, (3592) 942-2134, (3592) 942-2133, fax: (3592)-942-2831, 9433940
Website: <http://www.trud.bg>

24 CHASA daily
47, Tsarigradsko Shosse Blvd., Sofia 1504
Editor in Chief: Mrs. Danka Vassileva – (3592) 942-25-00
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SEGA daily

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KAPITAL daily

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European Investment Bank

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World Bank Group
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Bulgarian Banks

Contact information for all Bulgarian banks may be found on the Bulgarian National Bank website <http://www.bnb.bg/>
http://www.bnb.bg/BankSupervision/BSCreditInstitution/BSCIRegistrars/BS_CI_REG_BANKSLIST_EN

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

Trade Events

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

Bulgarreklama <http://www.bulgarreklama.com>

Plovdiv Fair <http://www.fair.bg>

Viaexpo <http://www.viaexpo.com>

Expoteam <http://www.sofia.motorshow.bg>

Bulgarian Economic Forum <http://www.biforum.org>

The Bulgarian Chamber of Commerce and Industry publishes an annual Calendar of the Fairs and Exhibitions in Bulgaria. The BCCI's website is <http://www.bcci.bg>

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters interested in opportunities in Bulgaria, please click on the following link: <http://www.export.gov/bulgaria>

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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